

HEALTH SERVICES INDUSTRY STUDY

PLACER COUNTY, CALIFORNIA

Prepared for

**County of Placer
Office of Economic Development**

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Health Services Industry Study

Funded by:

**County of Placer
Office of Economic Development**

Produced by:

**Sacramento Regional Research Institute
A Joint Venture of SACTO and CSUS**

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Key Findings

- The Health Services Industry in Placer County represents a wide selection of establishments providing a diverse range of medical and health services to individuals of all ages and health conditions, as well as the production of medical and laboratory equipment and supplies.
- Placer County's Health Services Industry is comprised of four major sectors that include Ambulatory Health Care Services, Hospitals, Nursing and Residential Care Facilities, and Medical Equipment and Supplies Manufacturing.
- The Health Services Industry in Placer County employs 8,748 workers (about 7 percent of the County's total employment) with most jobs contained in the Hospitals and Ambulatory Health Care Services sectors.
- Between 1998 and 2003, Health Services Industry employment in Placer County grew by more than 29 percent, which is almost double the statewide average growth rate.
- Placer County is specialized in Hospitals, showing a greater concentration of employment compared to California and demonstrating a strong increase in specialization between 1998 and 2003 at nearly 100 percent.
- Placer County's Health Services Industry contains 619 business establishments (approximately 7 percent of the County's total establishments).
- Business establishments in Placer County's Health Services Industry grew by 17 percent between 1998 and 2003, which is about 15 percentage points higher than the statewide average.
- Total employee earnings within Placer County's Health Services Industry were over \$365 million in 2003.
- Employee earnings in Placer County's Health Services Industry grew more rapidly than the statewide average between 1998 and 2003—the County saw about 145 percent growth which is nearly three times larger than California's growth.
- The Medical Equipment and Supplies Manufacturing and Hospitals sectors experienced the greatest growth within the Health Services Industry in terms of employment, business establishments, and employee earnings between 1998 and 2003.
- The Health Services Industry contributes about 15,000 jobs, nearly \$1.4 billion in output, and over \$63 million in state and local taxes to Placer County's economy including direct, indirect, and induced benefits.

KEY FINDINGS

- Most businesses in Placer County's Health Services Industry are small, between 1 and 10 employees, originated in the County, and have been located in the County for an average of 14 years.
- Placer County's Health Services firms service a large and diverse customer base that, in addition to residents in Placer County and the Sacramento Region, includes customers from the Bay Area, other California locations, and other states.
- The majority of Health Services firms are satisfied with Placer County as a place to operate a business pointing to population growth, a skilled labor force, and access to technology as the County's major locational advantages.
- Health Services firms' future business outlook is optimistic and points to continuing growth with most businesses reporting moderate to significant expansion plans in terms of employment and products and services.

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Introduction

Combining medical knowledge, practice, and technology, the Health Services Industry provides health care in response to the needs of all types of residents with varying medical conditions and continually pushes forward the development of technology to improve patient care, as well as service quality and efficiency. Recently, the Health Services Industry has demonstrated elements of restructuring that have not only reshaped the way goods and services are supplied, but have also expanded the scope of the Industry where traditional health care aspects have begun to overlap with high-technology. The Industry is typically associated with establishments ranging from small, private practices of physicians to large hospital and medical office complexes employing a large number of workers. However, in the rapidly changing nature of the Health Services Industry, technological advances have made new products and related procedures available for treatment and diagnosis, and the production of the products has become a central component of the Industry. In addition, the Industry has initiated an emphasis on outpatient and ambulatory services with the goal of limiting perceived unnecessary and low-priority services while stressing preventive care. Restructuring will most likely continue into the future as the Industry faces concerns of services quality; means to make activities and infrastructure scalable; the ability to manage acute and chronic illness and conditions effectively; the balance of general and specialty service providers; and potential labor force shortages (especially in nursing and support occupations).

The Health Services Industry is one of the most demographically-responsive sectors in the economy, demonstrating an increased supply of goods and services in locations with growth in factors such as population, employment, and income. The Industry generally represents a vital sector not only because of its overall trend of strong economic performance, but also due to its important role in providing services to residents and increasing the quality of life in a local community. The outlook for the Health Services Industry is generally quite positive due to its demographically-responsive nature; the growth in the elderly population; the development of new and improved treatments and techniques; advances in medical technology; the rise in integrated health systems; and the focus on outpatient care. Over the last several years the Industry has demonstrated strong growth supported in large part by the increasing demand stimulated by Placer County's rapidly increasing population. As the County has emerged as an important regional economic node, its economy has become more mature, affecting service-producing sectors through making them more diversified and responsive to the ever-broadening needs of customers. The Health Services Industry has been affected by these positive trends and today represents one of the more mature and well-established industries in Placer County characterized by a strong potential for future growth and development. According to California Employment Development Department projections, many of the sectors in the Health Services Industry in Placer County will see growth rates around the same level as the projected Nonfarm employment growth of approximately 37 percent between 2001 and 2008. At the statewide level, the Health Services Industry is projected to experience growth slightly higher than Nonfarm employment between 2000 and 2010.

INTRODUCTION

In order to gain a greater understanding of the Health Services Industry, Placer County's Office of Economic Development engaged the Sacramento Regional Research Institute to study the Industry with the objective of demonstrating the economic trends and benefits of the Industry and identifying general viewpoints of the County's Health Services businesses and organizations. The primary goals of the study include defining the Health Services Industry and distinguishing its primary products and services; estimating the overall size of the Industry and its economic trends; evaluating the Industry's economic impacts on Placer County; assessing variables that attract Health Services business to the County; and providing conclusions and recommendations to enhance the attractiveness of Placer County to the Industry.

This report is presented in five main sections. The first section defines the Health Services Industry in Placer County and describes the Industry's primary sectors and related products and services. In addition, the first section identifies the major employers in Placer County's Health Services Industry. Section two analyzes the Industry's structure and economic trends in terms of employment, business establishments, and employee earnings. The third section evaluates the full range of economic impacts on the County's economy directly related to Health Services activities and presents the employment, output, value added, employee compensation, and tax benefits. Section four presents the findings from SRRI's survey of Health Services employers in Placer County and discusses trends and expectations, locational advantages, common issues, and business satisfaction. The final section of the report discusses the overall conclusions reached about Placer County's Health Services Industry and offers a set of items that may help foster growth and development in the Industry and make Placer County more appealing to the Industry. In addition to the five main section, the report's Appendix provides the list of questions that were included in SRRI's employer survey.

Definition of the Health Services Industry in Placer County

Research Methodology

While formal industry definitions have been established for many economic activities, industry restructuring and local economic dynamics justify the need to reexamine and potentially create new definitions for some economic activities. To define the Health Services Industry in Placer County, SRRI used industry categories and definitions in the North American Industry Classification System (NAICS), which is used by major statistical agencies as the structure for classifying the United States economy and its business establishments. Within this system, economic industries are grouped together based on the similarity of production processes used to create products and services. Additionally, SRRI used other relevant sources such as business databases, industry organizations, and published materials as a reference check and to ensure a comprehensive and inclusive definition of the Health Services Industry in Placer County. Further, SRRI obtained feedback on the scope of the Industry from health service industry leaders and economic development representatives in Placer County. The resulting industry definition is not limited to formal industrial categorization; rather, it is broad and inclusive of the full range of health service activities in Placer County.

Defining the Industry

Based on the analysis of NAICS categories and additional health services and economic development information, SRRI has included the following major NAICS industry categories in the definition of the Health Services Industry in Placer County:

- 621—Ambulatory Health Care Services
- 622—Hospitals
- 623—Nursing and Residential Care Facilities
- 3391—Medical Equipment and Supplies Manufacturing

Facilities within the Ambulatory Health Care Services, Hospitals, and Nursing & Residential Care Facilities sectors represent the typical segments comprising the Health Services industry. However, based on further research, SRRI also included the Medical Equipment & Supplies Manufacturing category as a technology based industry category closely related to health services activities. SRRI believes that examining this sector and its potential in Placer County is important given the strong technological base present in the County and the sector's role as key provider of goods and services necessary to support health services activities. Therefore, any reference made to the Health Services Industry as a whole in this report includes all four of the above mentioned NAICS categories, unless specified otherwise.

DEFINITION

Primary Products and Services

The Health Services Industry in Placer County represents a wide selection of establishments providing a diverse range of medical and health services to individuals of all ages and health conditions, as well as the production of medical and laboratory equipment and supplies. Figure 1 provides a description of the types of products and services offered by the four major sectors comprising the Health Services Industry and illustrates the diversity of the activities captured in the definition.

FIGURE 1
PRIMARY PRODUCTS AND SERVICES

<i>Health Services Industry Sector</i>	<i>Detailed Description</i>
621 - Ambulatory Health Care Svcs.	Offices of Health Practitioners Outpatient Care Centers Medical and Diagnostic Laboratories Home Health Care Services Ambulance Services Blood and Organ Banks
622 - Hospitals	General Medical and Surgical Hospitals Psychiatric and Substance Abuse Hospitals Specialty Hospitals
623 - Nursing and Residential Care Facilities	Nursing Care Facilities Residential Mental Health and Substance Abuse Facilities Community Care Facilities Homes for the Elderly Other Residential Care Facilities
3391 - Medical Equipment and Supplies Mfg.	Laboratory Apparatus and Furniture Mfg. Surgical and Medical Instrument Mfg. Dental Equipment and Supplies Mfg. Ophthalmic Goods Mfg. Dental Laboratories

Sacramento Regional Research Institute, February 2005
Data Source: U.S. Census Bureau, 2002 NAICS Definitions

Ambulatory Health Care Services

As shown in Figure 1, the Ambulatory Health Care Services sector includes a wide variety of establishment types specializing in providing a diverse range of outpatient medical care services, both general and specialized. Offices of Health Practitioners can be described as private or group practices operated by medical doctors in their own offices or other facilities such as clinics, hospitals or Health Maintenance Organizations (HMO) medical centers. This category is comprised of services provided by a wide range of health specialists including physicians; dentists; chiropractors; optometrists;

DEFINITION

mental health practitioners; podiatrists; physical, occupational and speech therapists; reproductive specialists; psychiatrists; psychotherapists; oncologists; pediatricians; surgeons; and numerous other health practitioners.

The Outpatient Care Centers category includes clinics and medical centers providing numerous outpatient care services ranging from family planning to substance abuse treatment and counseling. The most representative examples of Outpatient Care Centers include family planning centers; fertility clinics; mental health and substance abuse centers; HMO medical centers; kidney dialysis centers; freestanding ambulatory surgical and emergency centers; and infusion therapy centers.

The Medical and Diagnostic Laboratories component includes entities providing analytic and diagnostic services to health practitioners or patients on referral from their health practitioners. Typically, apart from Medical and Diagnostic Laboratories such as blood analysis, forensic labs, genetic testing, and other laboratory types, this category also includes diagnostic imaging centers.

Finally, the Ambulatory Health Care Services sector includes Home Health Care Services providers, such as home health agencies, nursing agencies and visiting nurse associations, as well as Ambulance Services and some Blood and Organ Banks.

Hospitals

The Hospitals sector is comprised of establishments engaged in providing a variety of medical, diagnostic, and treatment services primarily to inpatients; however, additional outpatient services may also be provided by hospitals as a secondary activity. General Medical and Surgical Hospitals constitute the most representative categories within this segment and provide a wide range of non-surgical and surgical treatment services to inpatients with a diverse range of medical conditions. More narrowly specialized inpatient treatment and care establishments within this sector include Psychiatric and Substance Abuse Hospitals focusing primarily on treating mental illnesses and substance abuse disorders and Specialty Hospitals that include inpatient facilities like cancer, chronic disease, rehabilitation, maternity, and children's hospitals.

Nursing and Residential Care Facilities

Establishments within this sector specialize in providing around-the-clock residential care in combination with nursing, rehabilitative, and supervisory care services. This sector is distinguished from others through providing services that represent a combination of health services primarily consisting of nursing care and social services that, depending on the type of facility, may include some or all of the following: room, board, supervision, housekeeping, counseling, assistance in daily living, and other related services. The main categories within this sector are Nursing Care Facilities, such as convalescent homes and retirement homes with nursing care; Residential Mental Health and Substance Abuse

DEFINITION

Facilities; Community Care Facilities such as continuing care retirement communities; and Homes for the Elderly.

Medical Equipment and Supplies Manufacturing

Generally, this sector is considered part of biotechnology or general manufacturing; however, for the purposes of this study it was included in the Health Services Industry due to its close linkage with medical and health service providing organizations as a supplier of goods and services and as a sector relying on technological expertise that today represents an inherent component of Health Services crucial for the Industry's future ability to improve and expand its services. This sector includes establishments involved in the manufacturing of a wide variety of medical equipment such as laboratory apparatuses; surgical and medical equipment and instruments; dental equipment, instruments and supplies; ophthalmic products; and orthodontic appliances manufactured in dental laboratories. These products are used in many of the organizations involved in the other three sectors that make up the Health Services Industry.

Major Health Services Industry Employers

Placer County is characterized by an extended Health Services organization universe that reflects the wide diversity of health services and products that it offers. According to different data sources, Placer County's Health Services Industry is made up of between 620 and 1,500 establishments that provide close to 9,000 jobs. These establishments vary greatly in organizational structure, staffing patterns, and size, ranging from one employee to 2,400 employees. Most major Health Services employers are located in the larger cities of Roseville and Auburn with a few located in Rocklin and Lincoln. Figure 2 demonstrates that the top 15 employers provide almost 5,800 jobs in Placer County; vary in employment size from between 45 and 2,400 employees; offer a diverse mix of health care services and products; and represent three of the four major sectors that make up the Health Services Industry in Placer County.

DEFINITION

FIGURE 2
MAJOR HEALTH SERVICES INDUSTRY EMPLOYERS

<i>Company</i>	<i>City</i>	<i>Description</i>	<i>Employment</i>
Kaiser Permanente	Roseville	Hospital & Medical Center	2,400
Sutter Health	Auburn and Roseville	Hospital & Medical Center	1,638
Adventist Health	Roseville	Healthcare Provider Network	350
Catholic Healthcare West	Roseville	Medical Center	300
Hilltop Manor	Auburn	Nursing Care	180
Roseville Convalescent Hospital	Roseville	Specialty Hospital	160
Sunrise Healthcare	Roseville	Nursing Care	130
EM Source	Roseville	Offices of Health Practitioners	115
Roseville Imaging Center	Roseville	Medical Laboratory	100
Auburn Ravine Terrace	Auburn	Residential Mental & Substance Abuse Care	98
Foothill Oaks	Auburn	Nursing Care	89
Auburn Gardens	Auburn	Nursing Care	85
Home Instead	Auburn	Home Health Care	63
Horizon West	Rocklin	Nursing Care	45

Sacramento Regional Research Institute, February 2005

Data Source: Interviews with listed employers and Reference USA Database

General Benefits of the Health Services Industry Sectors

The Health Services Industry in Placer County represents one of the major suppliers of consumer services to residents within and outside of the County. Stimulated by a robust population growth and an increasing demand for new and better services, the Industry contributes significantly to the expansion of Placer County's economy. Through expansion of its employment and products and services, the Industry creates a local multiplier effect that drive responses in other economic sectors linked to the Health Services Industry.

Additionally, the industry contributes to increasing the local demand for a skilled and well-trained workforce through creating more competitive employment requirements and stimulating the local labor pool to become more professional and better trained. A well-developed and diversified Health Services Industry also contributes to attracting technological expertise and new technology-based businesses that respond to the demand for better and more sophisticated equipment, services and procedures employing advanced technological innovations. Finally, the businesses in these industries are located in specialized buildings for medical and hospital use, residential facilities, or office buildings, and thus are more likely to be situated in more central and conveniently accessible areas. Therefore, expansion within the Health Services Industry generates positive influence on the local land use and transportation patterns.

Economic Trends in Placer County's Health Services Industry

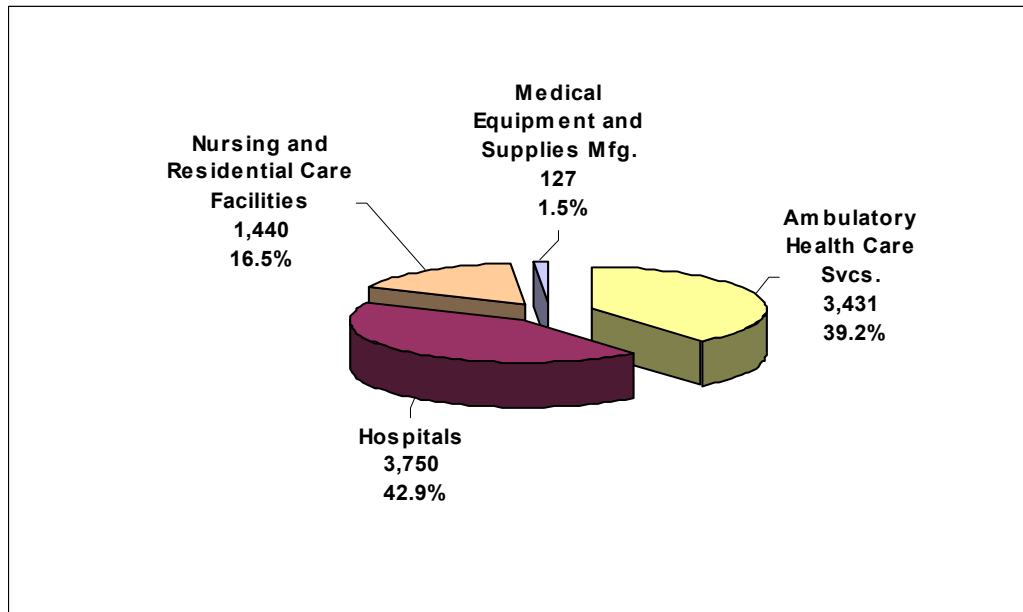
Research Methodology

Analyzing employment, business establishment, and employee earnings trends provides insight into the composition and performance of Placer County's Health Services Industry. SRRI used the Quarterly Census of Employment and Wages (QCEW) for the years 1998 through 2003 to complete this analysis. The data are derived from employers' quarterly tax records reported through state unemployment insurance information and federal Unemployment Compensation for Federal Employees program reports. While the data for the years 2001 through 2003 is contained in the NAICS format, 1998 through 2000 data is available only in the SIC format. The two classification systems significantly differ in their classification of industry sectors; therefore, SRRI created a crosswalk between the SIC- and NAICS-based formats to evaluate Industry trends. While the crosswalk between the two systems is not perfect, it provides a reasonably reliable representation of the Health Services Industry in Placer County over the five-year time period.

Employment Trends

Figure 3 shows that the Health Services Industry in Placer County employs 8,748 workers, with most jobs contained in the Hospitals and Ambulatory Health Care Services sectors. These two sectors encompass about 82 percent of the total Health Services Industry employment in Placer County with close to 7,200 jobs. Placer County's Health Services Industry composition differs from both the statewide and national averages where the Ambulatory Health Care Services sector is the largest Industry sector followed by Hospitals. In California Hospitals encompass about 33 percent of the Health Services Industry employment and in the United States this sector makes up about 35 percent of the Industry—these differences indicate that Placer County's hospital network is quite extensive and well-developed, potentially serving a larger customer base than just Placer County while other sectors' customer bases may be more limited. The Nursing and Residential Care Facilities sector accounts for close to 17 percent of Placer County's Health Services Industry employment and has a slightly lower share than the statewide level, at approximately 20 percent. The Medical Equipment and Supplies Manufacturing sector represents the smallest segment in Placer County with under 2 percent of the Industry's total employment and also contains a smaller proportion of Health Services Industry employment compared to the statewide average of about 4 percent.

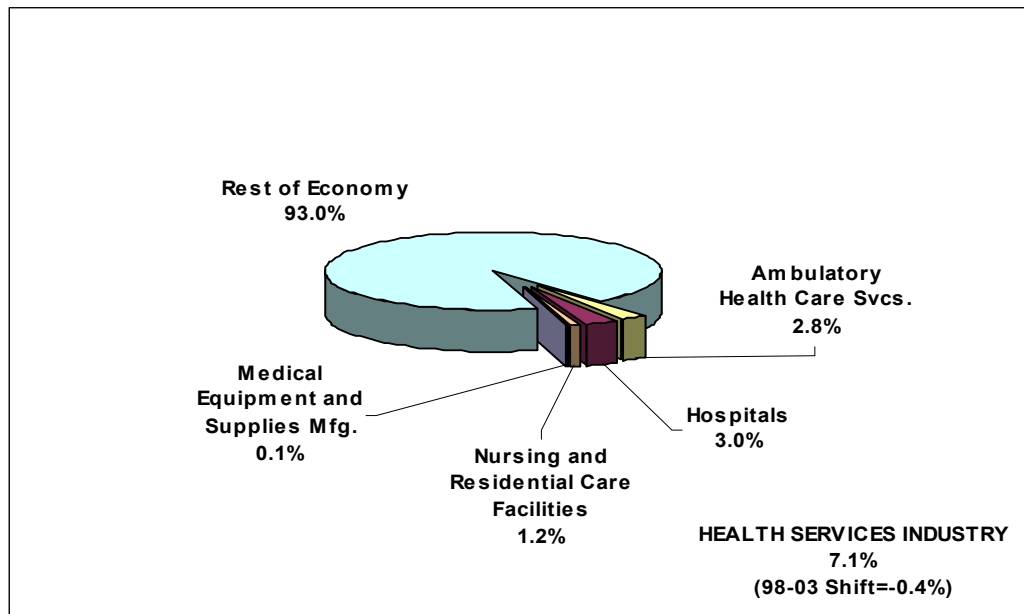
FIGURE 3
HEALTH SERVICES INDUSTRY EMPLOYMENT COMPOSITION



Sacramento Regional Research Institute, February 2005
 Data Source: U.S. Bureau of Labor Statistics, QCEW

Overall, as shown in Figure 4, the Health Services Industry contains about 7 percent of Placer County's total employment. This proportion has decreased slightly over the past five years, with the Health Services Industry encompassing about 0.4 percent less of the County's total employment in 2003 compared to 1998. In California, the Health Services Industry makes up a somewhat higher percentage of total employment than Placer County at close to 8 percent. The Health Services Industry in both Placer County and California contain a smaller proportion of total employment compared to the national average of 9 percent. Despite the negative shift in composition over the past five years, the Health Services Industry in Placer County shows strong potential for growth to catch up to the statewide and national average proportion of total employment.

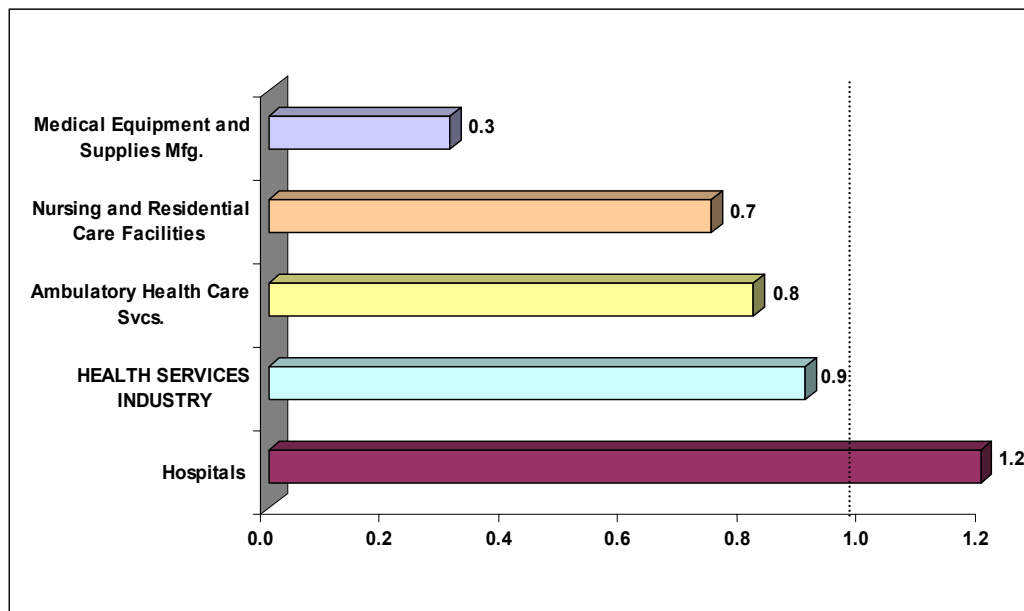
FIGURE 4
HEALTH SERVICES INDUSTRY'S SHARE OF TOTAL EMPLOYMENT



Sacramento Regional Research Institute, February 2005
 Data Source: U.S. Bureau of Labor Statistics, QCEW

Industry specialization numbers provide another view of Placer County's Health Services Industry compared to the statewide average. Figure 5 shows the level of specialization for the Health Services Industry and each of its components in Placer County—these numbers compare the proportion of total employment in Placer County weighed against the statewide average with 1.0 indicating a similar proportion of total employment, less than 1.0 demonstrating underspecialization, and above 1.0 showing specialization. Placer County is underspecialized in Health Services and all but one of the Industry's individual sectors are also underspecialized. As discussed above, Placer County has a greater concentration of employment in the Hospitals sector compared to California, making it the only area of Health Services specialization in the County. The Hospitals sector also showed a strong increase in specialization between 1998 and 2003 at nearly 100 percent. This niche may demonstrate strong potential for future growth in the County, while the other sectors and the Industry overall have the potential to come closer to reflecting the statewide average. For example, the Medical Equipment and Supplies Manufacturing sector demonstrated an increase in specialization of over 429 percent between 1998 and 2003, despite its underspecialization.

FIGURE 5
HEALTH SERVICES INDUSTRY SPECIALIZATION



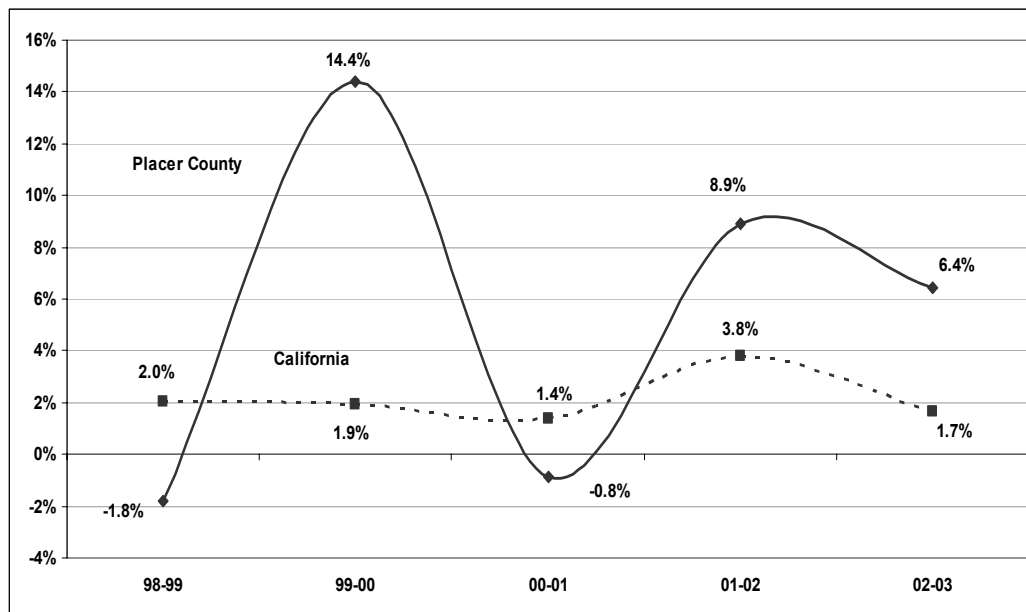
Sacramento Regional Research Institute, February 2005

Data Source: U.S. Bureau of Labor Statistics, QCEW

Note: Specialization measures the proportion of total employment in Placer County compared to the statewide average.

While year-over-year employment growth rates in the Health Services Industry have remained fairly stable in the state over the past five years, Placer County has shown some dramatic swings. Figure 6 shows that in all of the past five years, Placer County's job growth has been notably different than the statewide average. In most years, growth rates in Placer County have exceeded those of California. Placer County experienced strong job growth in 2000 (14 percent), 2002 (9 percent), and 2003 (6 percent) while California's highest growth in the past few years was 3.8 percent in 2002. These relatively strong growth rates reflect the continued population growth in both Placer County and the Sacramento Region with an increasing number of residents demanding health care services. Placer County experienced Health Services Industry job declines in 1999 and 2001 whereas California's job growth remained positive in these years.

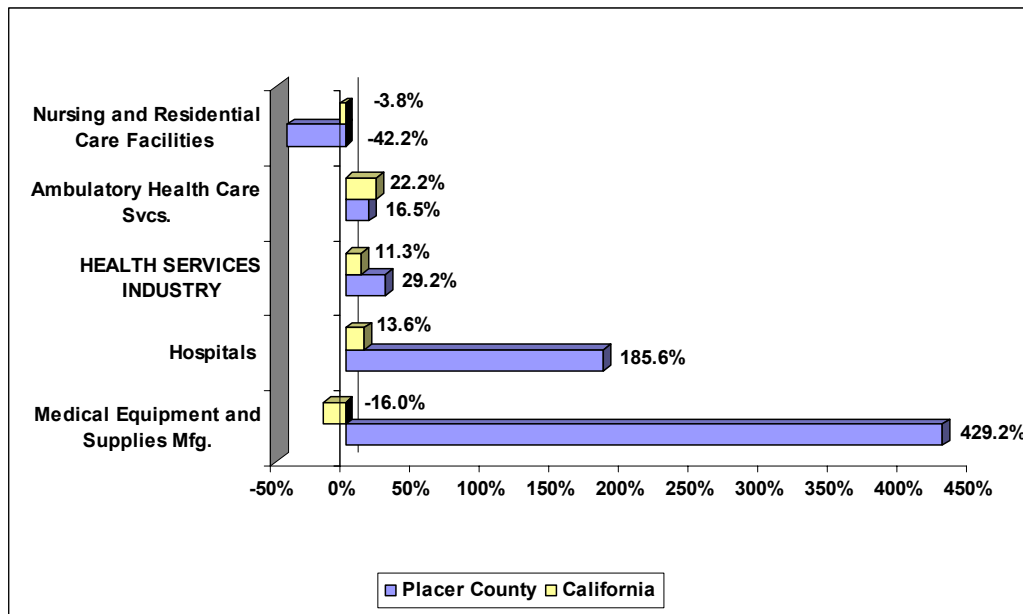
FIGURE 6
HEALTH SERVICES INDUSTRY YEAR-OVER-YEAR EMPLOYMENT
GROWTH RATES IN PLACER COUNTY AND CALIFORNIA



Sacramento Regional Research Institute, February 2005
Data Source: U.S. Bureau of Labor Statistics, QCEW

Between 1998 and 2003, Health Services Industry employment in Placer County grew by more than 29 percent, which is over double the growth rate experienced by Health Services in California (11 percent) and more than three times the growth rate for the United States (8 percent) within the same period of time. Placer County's Health Services Industry grew around the same level as its general economy—while Health Services saw about 29 percent growth, total Nonfarm employment growth was approximately 33 percent gain. Figure 7 shows that, between 1998 and 2003, all but one sector in the Health Services Industry have seen relatively strong employment growth. The Medical Equipment and Supplies Manufacturing and Hospitals sectors saw the greatest growth at 429 and 186 percents, respectively—California lost jobs in the Medical Equipment and Supplies Manufacturing sector, while growth in the Hospital sector was around 14 percent. Employment growth in Placer County's Ambulatory Health Care Services sector was slightly lower than the statewide average and while both Placer County and the state lost jobs in the Nursing and Residential Care Facilities sector, the County saw substantially larger losses. These growth trends demonstrate the strength of Placer County's Hospitals sector and the Health Services sector overall, as well as the emergence of the Medical Equipment and Supplies Manufacturing sector.

FIGURE 7
HEALTH SERVICES INDUSTRY EMPLOYMENT GROWTH
BETWEEN 1998 AND 2003 IN PLACER COUNTY AND CALIFORNIA

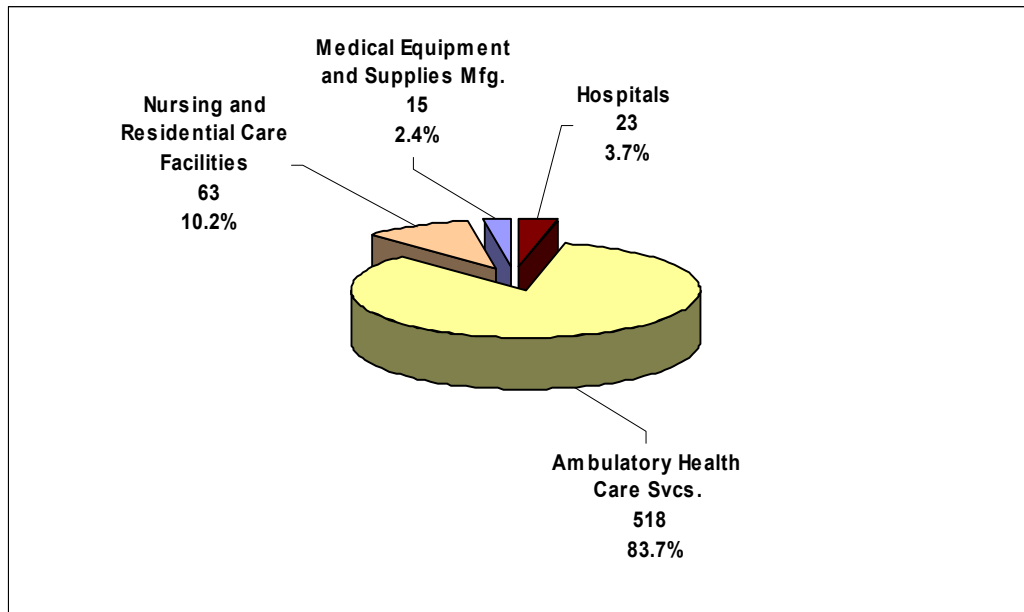


Sacramento Regional Research Institute, February 2005
Data Source: U.S. Bureau of Labor Statistics, QCEW

Business Establishments Trends

As shown in Figure 8, Placer County has 619 Health Services Industry business establishments with nearly 84 percent of the establishments contained in the Ambulatory Health Care Services sector, primarily due to the large number of small health practitioner, outpatient care, and laboratory facilities that are encompassed in this sector. While the Hospital sector encompasses the largest proportion of Health Services employment, it contains the smallest proportion of the Industry's total business establishments because establishments in this sector are typically characterized by single facilities employing a large number of jobs. The Health Services Industry establishment composition is similar to the statewide average, but, like employment, the Hospital sector contains a slightly higher proportion of the Industry's establishments with the other three sectors making up slightly less of the total establishments than the statewide average.

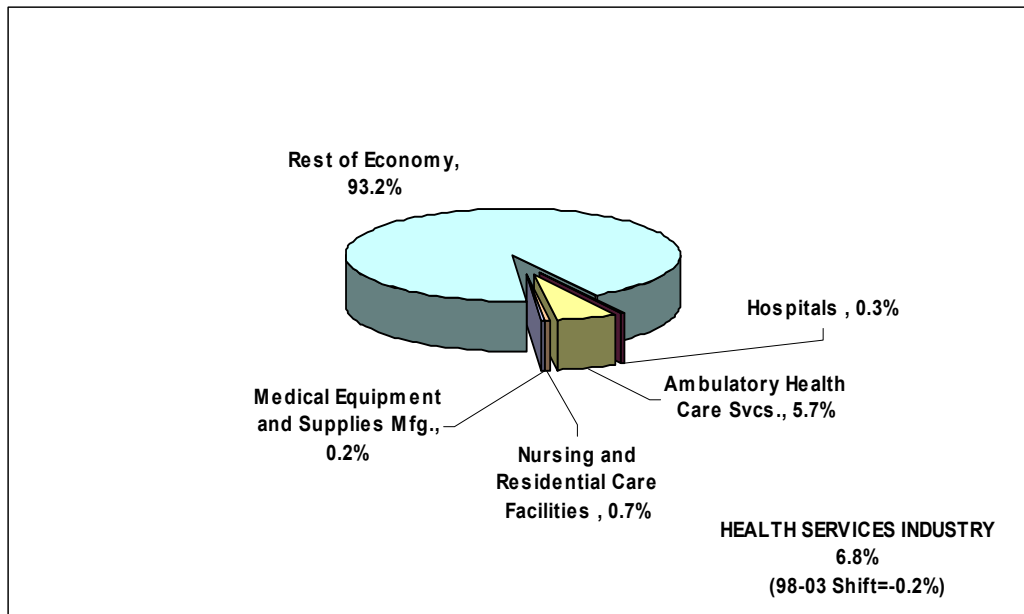
FIGURE 8
HEALTH SERVICES INDUSTRY ESTABLISHMENT COMPOSITION



Sacramento Regional Research Institute, February 2005
 Data Source: U.S. Bureau of Labor Statistics, QCEW

The Health Services Industry's 619 business establishments make up close to 7 percent of Placer County's total establishments, reflecting a similar proportion as the Industry's employment. Figure 9 shows that this proportion has decreased by about 0.2 percentage points over the past five years, demonstrating a similar trend as employment which also lost overall concentration. Differing from the employment trends, Health Services business establishments encompass a higher proportion of total establishment in Placer County compared to California where about 6 percent of the business establishments are in the Health Services Industry. This information suggests that Health Services employment in Placer County is spread across a larger pool of business establishments whereas employment is concentrated among a smaller group of establishments in the state.

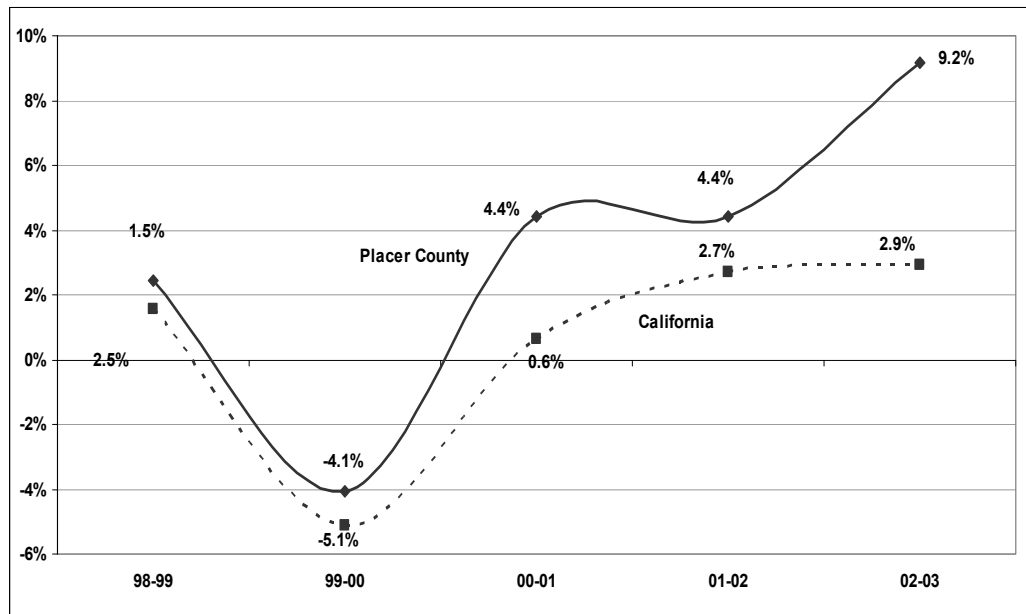
FIGURE 9
HEALTH SERVICES INDUSTRY'S SHARE
OF TOTAL ESTABLISHMENTS



Sacramento Regional Research Institute, February 2005
 Data Source: U.S. Bureau of Labor Statistics, QCEW

Figure 10 demonstrates that Placer County's year-over-year business establishment growth rates follow the statewide pattern fairly closely, but in all of the past five years, the County has experienced stronger growth than the state with the gap widening in the past two years. Both Placer County and California saw a decline in establishments in 2000, but the statewide decline was slightly more pronounced. In 2003, the County saw its highest Health Services establishments growth rate at close to 9 percent, which is over 6 percentage points higher than the statewide average.

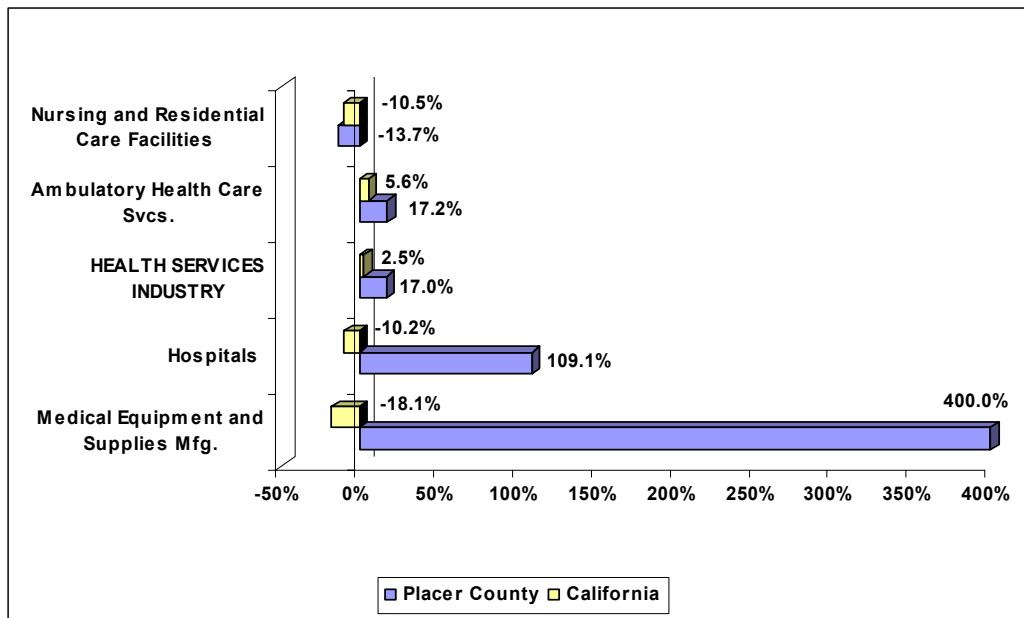
FIGURE 10
HEALTH SERVICES INDUSTRY YEAR-OVER-YEAR ESTABLISHMENTS
GROWTH RATES IN PLACER COUNTY AND CALIFORNIA



Sacramento Regional Research Institute, February 2005
Data Source: U.S. Bureau of Labor Statistics, QCEW

Overall, Placer County experienced a growth rate of 17 percent in Health Services Industry business establishments between 1998 and 2003, exceeding California's growth of 2.5 percent. Figure 11 illustrates that, like employment, the greatest growth was in the County's Medical Equipment and Supplies Manufacturing and Hospitals sectors, both of which saw negative growth at the statewide level. Placer County also experienced stronger establishment growth in the Ambulatory Health Care Services sector compared to California, but saw a higher level of establishment losses than the statewide average in the Nursing and Residential Care Facilities sector. This information reinforces the employment growth trends which showed strength in the County's Hospital sector and development of the Medical Equipment and Supplies Manufacturing sector.

FIGURE 11
HEALTH SERVICES INDUSTRY ESTABLISHMENTS GROWTH
BETWEEN 1998 AND 2003 IN PLACER COUNTY AND CALIFORNIA

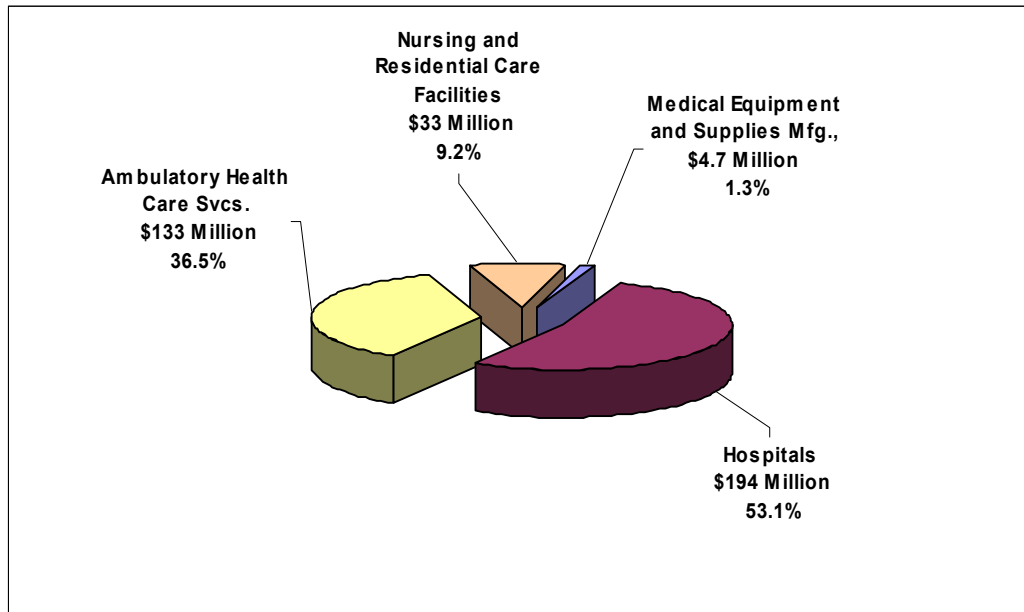


Sacramento Regional Research Institute, February 2005
Data Source: U.S. Bureau of Labor Statistics, QCEW

Employee Earnings Trends

Total employee earnings within Placer County's Health Services Industry were over \$365 million in 2003. As shown in Figure 12, the Hospitals sector accounted for more than half of the Industry's employee earnings and nearly 37 percent of the earnings were in the Ambulatory Health Care Services sector—together these two industries make up about 90 percent of the total earnings, which is a larger proportion of the Industry's total than what is reflected in the employment numbers and shows that the jobs in these sectors are relatively higher-paid. Similar to the employment trends, Placer County's Health Services Industry exhibits a different composition than the statewide average. In California, the Ambulatory Health Care sector encompasses about 46 percent of the total earnings and the Hospitals sector makes up 37 percent of the total. This information also reinforces the unique position of the Hospitals sector in Placer County and slight under-representation of the other Health Services Industry sectors.

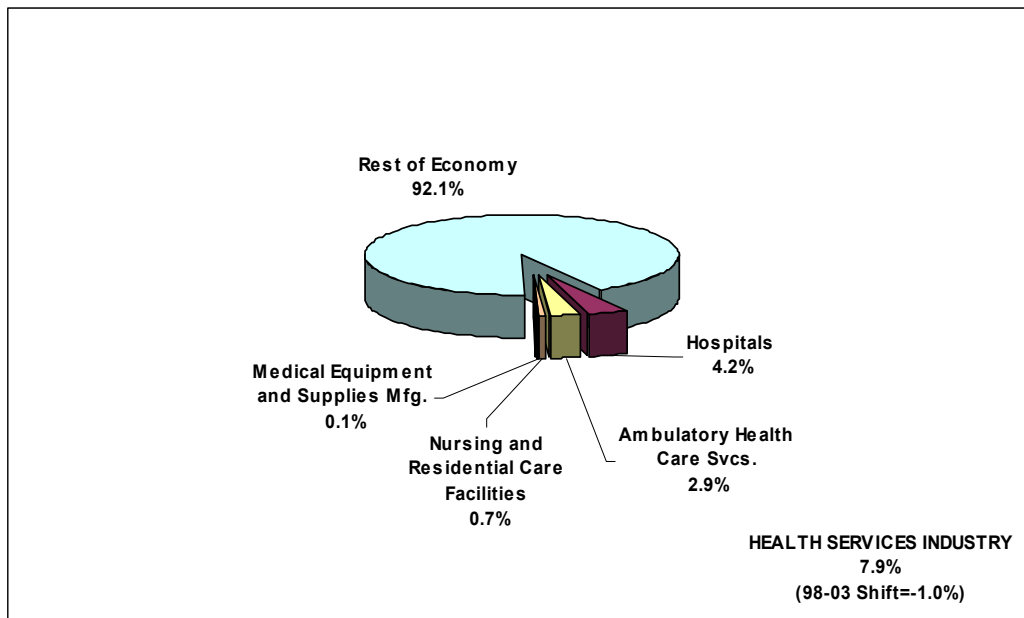
FIGURE 12
HEALTH SERVICES INDUSTRY EMPLOYEE EARNINGS COMPOSITION



Sacramento Regional Research Institute, February 2005
 Data Source: U.S. Bureau of Labor Statistics, QCEW

Figure 13 demonstrates that Placer County's Health Services Industry contains nearly 8 percent of the County's total employee earnings, which is a slightly higher proportion than both employment and business establishments, both encompassing about 7 percent of their respective totals. These differences, while only slight and typical of the statewide average, point to the higher wages generally related to the Health Services Industry creating a situation where the Industry captures a greater share of total earnings than employment or establishments. The smaller share of total earnings in the Nursing and Residential Care Facilities sector is explained by the larger proportion of lower-paying jobs, while the limited share of earnings in the Medical Equipment and Supplies sector is related to its relatively small employment level. Like employment and business establishments, employee earnings experienced a decrease in the percentage of total earnings over the past five years.

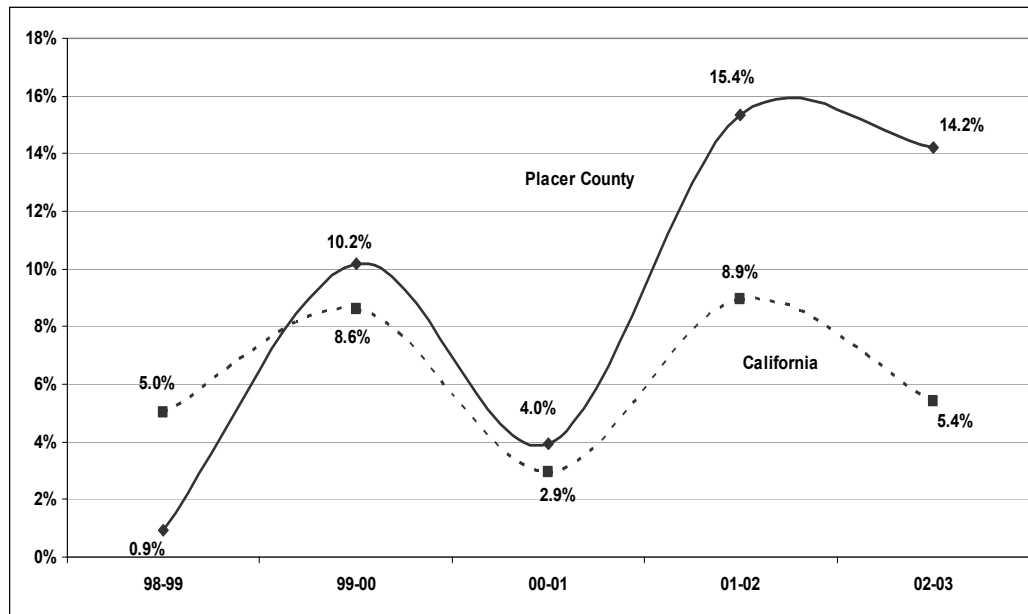
FIGURE 13
HEALTH SERVICES INDUSTRY'S SHARE
OF TOTAL EMPLOYEE EARNINGS



Sacramento Regional Research Institute, February 2005
Data Source: U.S. Bureau of Labor Statistics, QCEW

Similar to the business establishments trends, the year-over-year growth rates in employee earnings in Placer County's Health Services Industry closely follow the trends in California over the past five years. Figure 14 shows that employee earnings growth rates did not drop negative in Placer County over the past five years—growth rates for both employment and establishments saw periods of negative growth in the County during the same time period. Placer County posted a lower growth rate than the state in only one of the past five years, 1999, where the state experienced close to 5 percent growth and the County saw a little less than 1 percent growth. In the past two years, Placer County has experienced notably higher employee earnings growth rates than California with 2002 marking the highest point over the past five years at over 15 percent growth (about 6.5 percentage points higher than the statewide average). The recent employee earnings growth rates in Placer County's Health Services Industry have also tracked considerably higher than the employment and business establishments growth rates. In general, growth in earnings is outpacing employment growth illustrating the health of the Industry in Placer County.

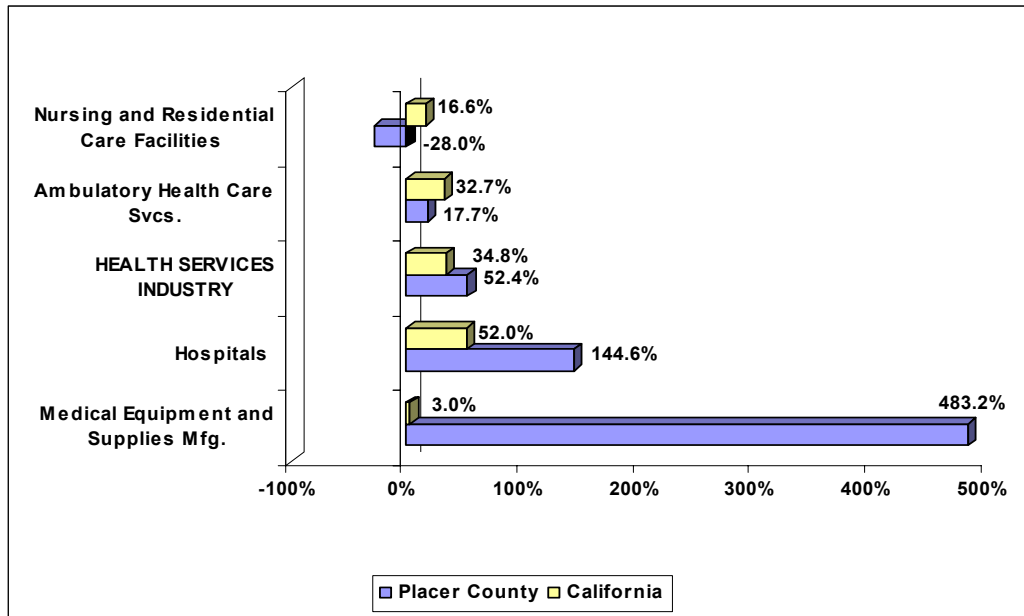
FIGURE 14
HEALTH SERVICES INDUSTRY YEAR-OVER-YEAR EMPLOYEE
EARNINGS GROWTH RATES IN PLACER COUNTY AND CALIFORNIA



Sacramento Regional Research Institute, February 2005
Data Source: U.S. Bureau of Labor Statistics, QCEW

Employee earnings in Placer County's Health Services Industry grew more rapidly than the statewide average between 1998 and 2003, as shown in Figure 15. While earnings grew by close to 35 percent in the state, Placer County saw over 52 percent growth in Health Services Industry earnings. Like employment and establishments, the largest growth in Placer County's Health Services Industry was in the Hospitals and Medical Equipment and Supplies Manufacturing sectors, both of which experienced earnings growth at much higher levels than California. Placer County fell behind the state in employee earnings growth between 1998 and 2003 in the Ambulatory Health Care Services (a little less than half the state's level) and Nursing and Residential Care Facilities (negative growth compared to positive growth in the state) sectors. This information further emphasizes the importance of the Hospitals sector in Placer County and the manifestation of the Medical Equipment and Supplies Manufacturing sector.

FIGURE 15
HEALTH SERVICES INDUSTRY EMPLOYEE EARNINGS GROWTH
BETWEEN 1998 AND 2003 IN PLACER COUNTY AND CALIFORNIA



Sacramento Regional Research Institute, February 2005
Data Source: U.S. Bureau of Labor Statistics, QCEW

Economic Impacts of the Health Services Industry in Placer County

Research Methodology

An econometric model can contribute to the knowledge of how a County's economy works by providing information on the inter-relationships between the various sectors. Econometric models can also be used to identify the full range of economic contributions of single firms or industries within a County. This section of the report is designed to provide an economic perspective of the impacts of the Health Services Industry in Placer County on the overall economic activity of the County.

SRRI calculated the economic impacts in this report using an input-output model called IMPLAN, developed at the University of Minnesota specifically for use in regional analysis and currently distributed and supported by the Minnesota Implan Group. Input-output models evaluate the effects of industries on each other based on the premise that industries use the outputs of other industries as inputs.

Unlike the economic factors mentioned in the Economic Trends section of this report, this analysis accounts for the full range of economic impacts of the Health Services Industry by calculating the direct, indirect, and induced impacts of the jobs and output in Placer County.

- *Direct Benefits* consist of economic activity exclusively related to the Health Services Industry. This includes all expenditures made by the organizations in the Industry and all employees who work directly for those organizations.
- *Indirect Benefits* define the creation of additional economic activity that results from linked businesses, suppliers of goods and services, and provision of operating inputs.
- *Induced Benefits* measure the consumption expenditures of direct and indirect sector employees. Examples of induced benefits include employees' expenditures on items such as retail purchases, housing, health care, banking, and insurance.

Additionally, the input-output models allowed SRRI to quantify the multiplier effect that occurs when new employment is added in the County via the Health Services Industry. The multiplier effect is generated when new employment is added in one sector, but generates additional employment in other sectors which supply goods and services to the new or expanded firm (indirect impact) and consumer services to employees (induced impact).

In addition, this model can be used to assess overall tax impacts of increased economic output. It is important to note that the model provides an estimation of tax generation, and not necessarily allocation. California's recent fiscal restructuring creates a limitation to this analysis since the model is restricted in accounting for this restructuring and determining how much of the tax impact will be allocated to state and local sources.

ECONOMIC IMPACTS

In order to use the IMPLAN model, SRRI created a crosswalk between the NAICS definition of the Health Services Industry (discussed in the Definition section of this report) and the specific IMPLAN sectors. SRRI distributed the employment data for each NAICS sector into the IMPLAN sectors based on the crosswalk in order to appropriately model the Health Services Industry in Placer County.

Total Economic Impacts

Overall, the Health Services Industry contributes about 15,000 jobs and nearly \$1.4 billion in output in Placer County's economy including direct, indirect, and induced benefits (as shown in Figure 16). The Industry directly brings about 8,700 jobs and over \$834 million in industry output to Placer County, but due to the indirect and induced benefits, the County gains over 6,300 more jobs and an additional \$522 million in industry output. Moreover, the Health Services Industry provides nearly \$780 million in total added value. This reflects the amount of output produced over and above the cost of the inputs and includes direct, indirect, and induced impacts. The County also sees a total benefit of about \$532 million in employee compensation (including benefits) resulting from direct, indirect, and induced impacts—this equates to about \$35,000 per employee.

FIGURE 16
TOTAL ECONOMIC IMPACTS

<i>Impact</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Employment	8,748	2,945	3,377	15,070
Output	\$834,290,266	\$240,666,873	\$281,414,873	\$1,356,372,018
Value Added	\$451,177,432	\$155,846,461	\$172,855,194	\$779,879,071
Employee Compensation	\$363,194,149	\$82,180,817	\$86,677,609	\$532,052,581

Sacramento Regional Research Institute, February 2005

Data Source: IMPLAN, 2001 Coefficients

Note: Differences due to rounding.

Employment Impacts

Figure 17 shows that the Health Services Industry generates approximately 6,300 jobs in Placer County from indirect and induced benefits, in addition to the 8,700 jobs specifically related to Industry activities. In total, the employment multiplier shows that for every job added in the Health Services Industry, the County gains another 0.7 jobs in indirect and induced sectors.

Due to the economic linkages throughout the County, the total impacts of the Health Services Industry generate about 9,300 jobs in the Health Care and Social Assistance sector (reflecting an additional response in this sector) followed by Business Services and Personal and Consumer Services with 1,600 and 1,500 jobs, respectively. The Personal and Consumer Services and Retail Trade sectors have high induced benefits (1,000 and 700 job benefits, respectively) due to consumer purchases from the direct (Health

ECONOMIC IMPACTS

Services Industry) and indirect employees. The Business Services sector gains the most indirect employees (1,300) as a result of its role as a linked and service-providing industry.

FIGURE 17
MAJOR SECTOR EMPLOYMENT IMPACTS

<i>Sector</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Health Care and Social Assistance	8,621	16	616	9,254
Business Services	0	1,349	296	1,644
Personal and Consumer Services	0	456	1,086	1,542
Finance, Insurance, and Real Estate	0	520	354	875
Retail Trade	0	105	710	816
Manufacturing	127	97	33	258
Transportation and Warehousing	0	169	69	239
Wholesale Trade	0	92	85	176
Communications and Information	0	46	48	94
Construction	0	60	22	82
Government	0	18	26	45
Agriculture and Food Processing	0	6	21	27
Mining and Utilities	0	9	10	19
Total Impacts	8,748	2,945	3,376	15,069

Sacramento Regional Research Institute, February 2005

Data Source: IMPLAN, 2001 Coefficients

Note: Differences due to rounding.

Output Impacts

In addition to the 15,000 jobs, the Health Services Industry generates nearly \$1.4 billion in industry output from the flow of economic impacts in Placer County. As Figure 18 illustrates, the hospital's economic activities would directly generate about \$834 million in industry output (total value of production) and the economic impacts would reach another \$522 million in indirect and induced benefits. The output multiplier illustrates that for every dollar of output from the Health Services Industry, Placer County would see an increase of \$0.8 in output in indirect and induced sectors.

Placer County's Health Care and Social Assistance and Finance, Insurance, and Real Estate sectors see the largest output benefits resulting from the impacts of the Health Services Industry with about \$866 and \$148 million of output, respectively. Similar to the employment impacts, the Business Services sector experiences the largest indirect gains (\$74 million) because of its function as a supplier of goods and services to most industry sectors. In addition, the Finance, Insurance, and Real Estate (\$81 million), Personal and Consumer Services (\$54 million), and Health Care and Social Assistance (\$46 million) sectors see the greatest induced benefits, demonstrating the demand for services from these sectors that are generated by spending activity from the direct (Health Services Industry) and indirect sector employees.

ECONOMIC IMPACTS

FIGURE 18
MAJOR SECTOR OUTPUT IMPACTS

<i>Sector</i>	<i>Direct</i>	<i>Indirect</i>	<i>Induced</i>	<i>Total</i>
Health Care and Social Assistance	\$818,063,692	\$2,448,304	\$45,556,646	\$866,068,647
Finance, Insurance, and Real Estate	\$0	\$67,228,720	\$80,679,813	\$147,908,536
Business Services	\$0	\$74,353,109	\$17,471,663	\$91,824,772
Personal and Consumer Services	\$0	\$31,350,358	\$54,237,278	\$85,587,642
Retail Trade	\$0	\$6,145,262	\$41,304,902	\$47,450,164
Manufacturing	\$16,226,574	\$14,668,781	\$5,257,884	\$36,153,237
Wholesale Trade	\$0	\$10,952,666	\$10,089,902	\$21,042,568
Communications and Information	\$0	\$9,065,841	\$9,195,477	\$18,261,318
Transportation and Warehousing	\$0	\$12,167,981	\$6,090,707	\$18,258,687
Construction	\$0	\$5,470,535	\$2,091,202	\$7,561,737
Government	\$0	\$2,917,713	\$4,437,074	\$7,354,786
Mining and Utilities	\$0	\$3,304,980	\$3,560,544	\$6,865,526
Agriculture and Food Processing	\$0	\$592,619	\$1,441,785	\$2,034,405
Total Impacts	\$834,290,266	\$240,666,869	\$281,414,877	\$1,356,372,025

Sacramento Regional Research Institute, February 2005

Data Source: IMPLAN, 2001 Coefficients

Note: Differences due to rounding.

Tax Generation

The Health Services Industry also creates an impact on state and local tax generation. As shown in Figure 19, the Industry generates over \$63 million in state and local taxes including sales, personal, and business taxes from all economic activity (direct, indirect, and induced). The greatest tax impact is in the personal income tax area with approximately 36 percent of the total tax generation followed by the sales tax and business property tax areas with about 25 and 17 percent, respectively.

ECONOMIC IMPACTS

FIGURE 19
STATE AND LOCAL TAX GENERATION IMPACTS

<i>Tax Area</i>	<i>Total Tax Generation Estimate</i>	<i>Percent of Total</i>
Personal Income	\$22,958,431	36.2%
Sales Taxes	\$16,004,751	25.2%
Business Property	\$10,834,595	17.1%
Personal Assessments, Fees, and Other Non-taxes	\$5,793,686	9.1%
Business Assessments, Fees, and Other Non-taxes	\$1,926,652	3.0%
Corporate Profit Tax	\$1,791,358	2.8%
Business Other Taxes	\$1,732,837	2.7%
Social Insurance-Employer	\$826,460	1.3%
Personal Motor Vehicle	\$709,156	1.1%
Personal Property	\$273,636	0.4%
Social Insurance-Employee	\$229,572	0.4%
Business Motor Vehicle	\$212,872	0.3%
Personal Other Taxes	\$118,334	0.2%
Dividend Payments from Investment	\$21,282	0.0%
Severance Taxes	\$8,169	0.0%
Total State and Local Taxes	\$63,441,791	100.0%

Sacramento Regional Research Institute, February 2005

Data Source: IMPLAN, 2001 Coefficients

Note: Differences due to rounding.

While it is clear that there are tax impacts associated with the economic activities in the Health Services Industry, the information in Figure 19 should only be viewed as a broad estimate of tax generation and not specifically allocation. California's recent fiscal restructuring creates a limitation to this analysis since the model is restricted in accounting for this restructuring and determining how much of the tax impact will be allocated to government sources.

Placer County Health Services Industry Employer Survey

Survey Methodology

A survey of companies representing an industry can serve as an important tool in providing insightful, first-hand information on trends, expectations, and other developments taking place within an industry. To obtain such information and to complement the findings based on the analysis of the available economic and statistical data, SRRI conducted a survey of businesses representing the Health Services Industry in Placer County. The primary objectives of the survey included evaluating Health Services companies' satisfaction level with Placer County as a place to do business; identifying locational advantages of the County and assessing variables that attract businesses to Placer; examining the current business climate and operating conditions for Health Services firms; and identifying regional business growth potential within the Industry. SRRI also collected and analyzed data characterizing companies in terms of employment size, firm origins, and locations of customers and clients. Additionally, SRRI inquired about businesses' opinions on desired improvements for the local business climate and recommendations for enhancing the attractiveness of Placer County to the Health Services Industry. A listing of the questions asked during the survey is provided in the Appendix of this report.

Using the Health Services Industry definition discussed in the Definition section of this report, SRRI obtained a business listing of Placer County companies categorized under each of the four major Health Services Industry sectors (Ambulatory Health Care Services, Hospitals, Nursing and Residential Care Facilities, and Medical Equipment and Supplies Manufacturing). The complete listing of companies from all four major sectors obtained from several commercial databases (including Reference USA and Dun & Bradstreet) yielded a population of 1,586 Health Services firms within Placer County. Next, using a systematic sampling method, SRRI developed a sample of 210 firms ensuring that the sample was proportionally representative of the Health Services Industry structure in terms of the variety of different types of businesses and products and services that they offer. Additionally, SRRI included the County's 18 largest Health Services employers since they play a major role in determining market trends and future development within the Industry.

In an effort to achieve the highest rate of participation, SRRI offered three options whereby a company could provide an input for the study. The first and most common way was a phone interview with company managers or owners. As an alternative, the questionnaire was offered in an online format and was available through an e-mail link or SRRI's web site. Finally, those unavailable by either phone or e-mail, were given the option of participating by facsimile.

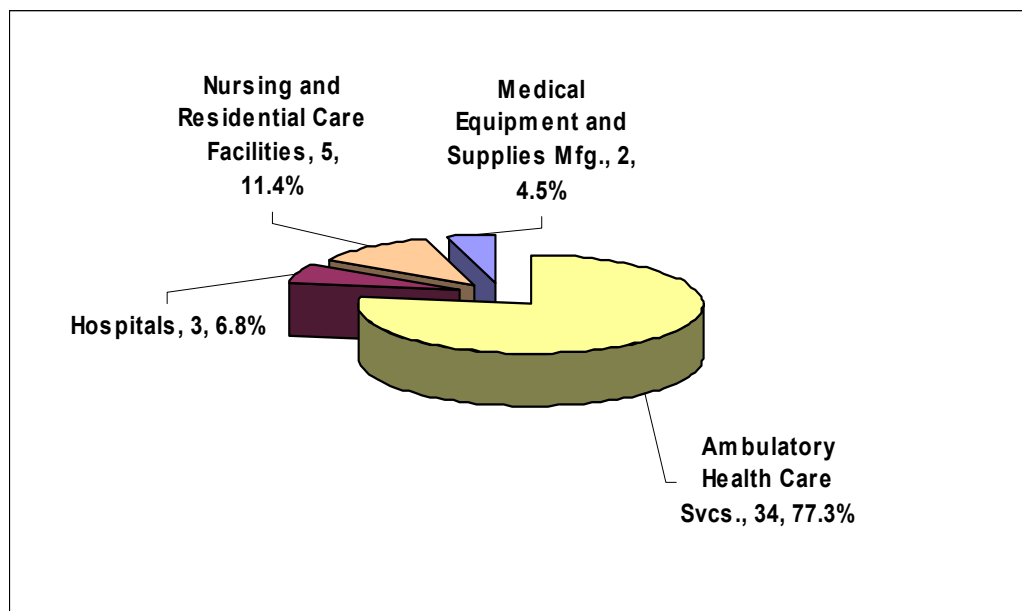
During the months of December, January, and the beginning of February 2005, SRRI attempted to contact all 210 selected businesses ultimately yielding a response rate of 21 percent, or 44 businesses. Twenty-three businesses (11 percent) refused to participate

while the remaining 143 business (68 percent) were not available or did not return our calls. The interviews were conducted with business owners, executives, and senior managers, or public relations representatives—those with a high degree of competence and knowledge of business plans, expectations, and major concerns or satisfaction factors.

Major Characteristics of Survey Participants

Figure 20 displays the percentage breakdown of establishments that participated in the survey by the four sectors in the Health Services Industry. All four sectors were represented in the survey. Moreover, the composition of business establishments representing the four major sectors is closely reflecting the establishment composition of the Health Services Industry in Placer County with Ambulatory Health Care Services representing the largest share of businesses, followed by Nursing and Residential Care Facilities, Hospitals and, finally, Medical Equipment and Supplies Manufacturing firms.

FIGURE 20
PARTICIPANT ESTABLISHMENT COMPOSITION

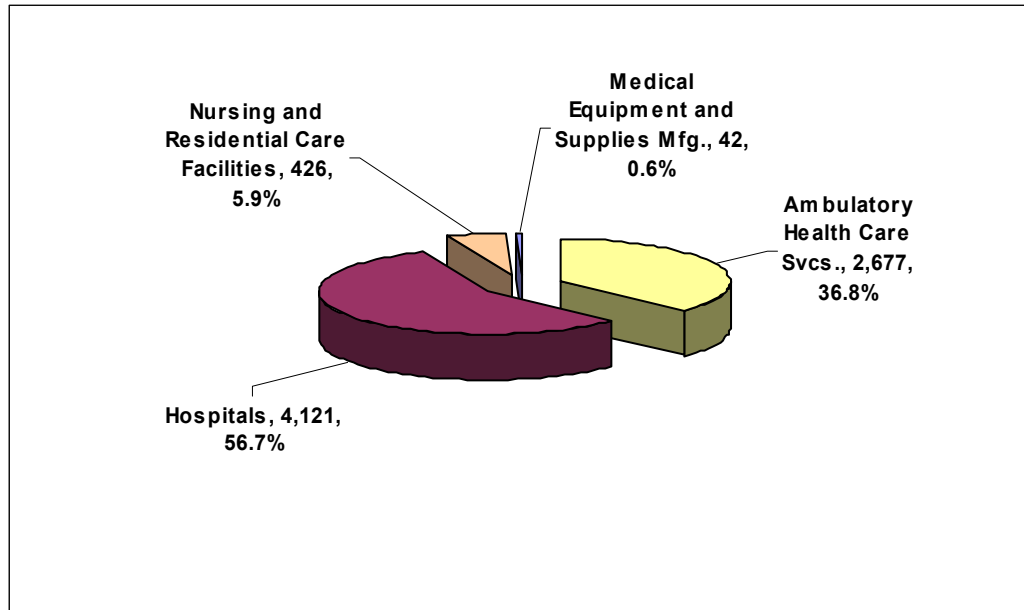


Sacramento Regional Research Institute, February 2005
Data Source: SRRI survey

The employment size of the participating firms ranged from one employee to 2,400 employees. While few in number compared to other Health Services facilities, Hospitals represent the largest employers. As shown in Figure 21, Hospitals accounted for 57 percent (4,121 employees) of the total employment among Health Services businesses interviewed by SRRI. While the Ambulatory Health Care Services sector made up the highest number of survey participants, due to their typically small size (between 1 and 5 employees) they had the second largest share in terms of employment (37 percent, or

2,677 employees). The remaining two categories, Nursing and Residential Care Facilities and Medical Equipment and Supplies Manufacturing accounted for 6 percent (426 employees) and 1 percent (42 employees) of the participants' employment, respectively. The employment composition of the surveyed businesses is similar to the overall employment composition of Placer County's Health Services Industry (examined in the Economic Trends section of this report).

FIGURE 21
PARTICIPANT EMPLOYMENT COMPOSITION

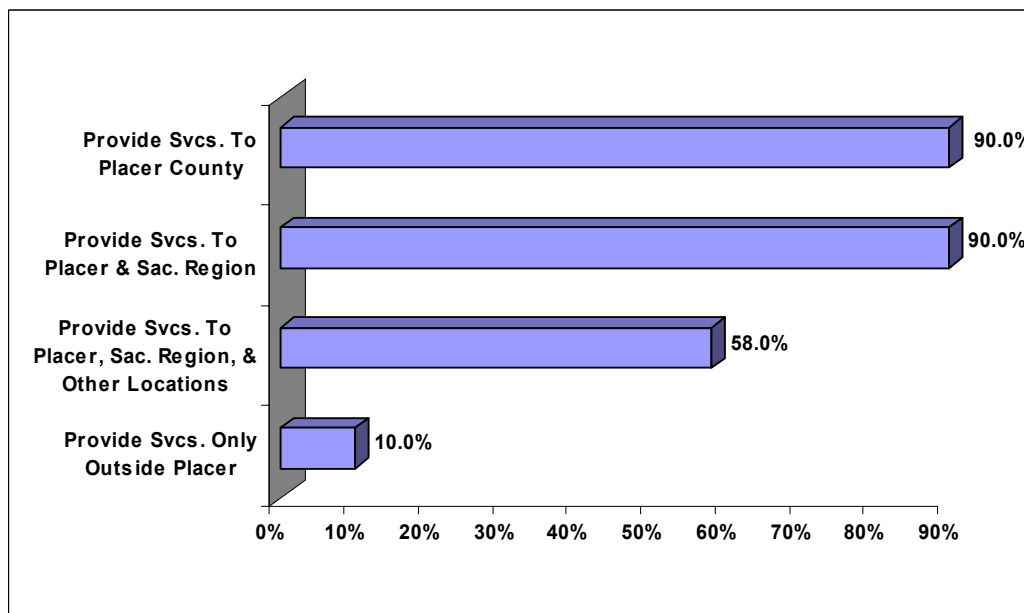


Sacramento Regional Research Institute, February 2005
Data Source: SRRI survey

Most of the surveyed businesses, approximately 60 percent, originated in Placer County and have been providing goods and services to County residents for numerous years. The average period of time that the respondents have been present in the County is 14 years, while some companies started operating in Placer more than 30 years ago. Approximately 40 percent of the surveyed businesses moved to Placer from the Sacramento Region, the Bay Area, other California locations and other states. Business expansion and quality of life aspects were the most predominant explanations for companies' decisions to move to Placer County.

Placer County Health Service companies service a large and diverse customer base that, apart from Placer County residents, includes customers from the Sacramento Region, the Bay Area, other California locations, as well as from outside California. Only 70 percent of respondents were able to provide input on the breakdown of their respective customer bases. Figure 22 illustrates the percentages of Placer County Health Services firms servicing different customer bases that vary in size and location.

FIGURE 22
CUSTOMER LOCATION



Sacramento Regional Research Institute, February 2005
Data Source: SRRI survey

The majority of the surveyed employers, 90 percent, provide products and services within Placer County. Only 6 percent of the respondents provide services exclusively within the County. Forty-five percent indicated that Placer County represents between 80 and 100 percent of their customer base, 29 percent of surveyed businesses said that Placer County residents accounted for 50 to 80 percent of their customers, and 19 percent of businesses reported that Placer County customers accounted for less than 50 percent of their total customer base. Most of the businesses that service primarily Placer County residents represent the Ambulatory Health Care Services sector (such as offices of physicians, dentists, chiropractors, optometrists, imaging labs, and ambulance services) along with Nursing and Residential Care Facilities.

While Placer County residents represent the most prominent element of the participants' customer base, most Health Services businesses also service customers from outside the County. Ninety percent of the surveyed organizations provide services to both Placer County and the Sacramento Region (that, in addition to Placer County, includes Sacramento, El Dorado, Yolo, Yuba and Sutter Counties). These businesses primarily include the Ambulatory Health Care Services, Hospitals, and Nursing and Residential Care Services sectors.

A large proportion of the surveyed employers, almost 60 percent, combine servicing local customers with offering products and services to patients and clients from the Bay Area, other California locations and other states. These companies typically represent more specialized ambulatory services providers such as fertility clinics, optometrists, and dental supplies and fixtures manufacturers. Additionally, 10 percent of the surveyed

businesses service exclusively clients outside the County. These businesses represent mostly the Medical Equipment and Supplies Manufacturing sector.

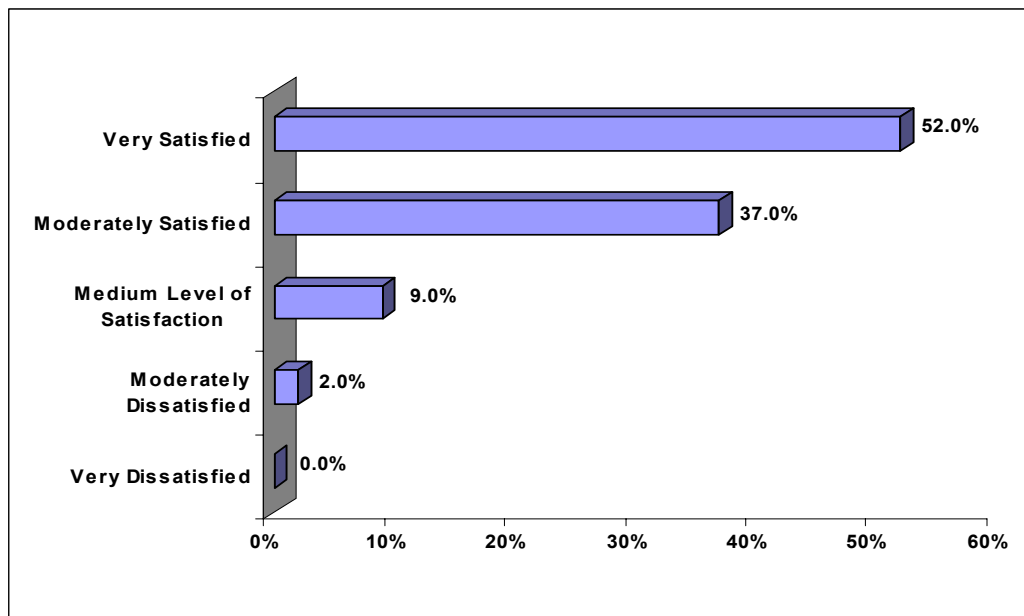
Such an extended and diverse customer base testifies to a well-developed and mature Health Services Industry within Placer County that is able not only to provide valuable services, but also creates new wealth for the County. It also stresses the fact that Placer County and its economy serve as one of the Sacramento Region's core regional nodes of economic activity servicing numerous customers within the Region and beyond.

Survey Major Findings

Most respondents are satisfied with Placer County as a place to do business.

The overwhelming majority (98 percent) of the surveyed Health Services firms claimed they were satisfied with Placer County as a place to do business. Figure 23 illustrates respondents' percentage breakdown by level of satisfaction. The degrees of satisfaction varied with most respondents (52 percent) reporting that they were very satisfied, 37 percent showing moderate satisfaction, and 9 percent expressing a medium level of satisfaction. Only 2 percent reported moderate dissatisfaction and no participants were very dissatisfied with Placer County as a place to operate a Health Services business.

FIGURE 23
LEVEL OF SATISFACTION WITH
PLACER COUNTY AS A PLACE TO DO BUSINESS



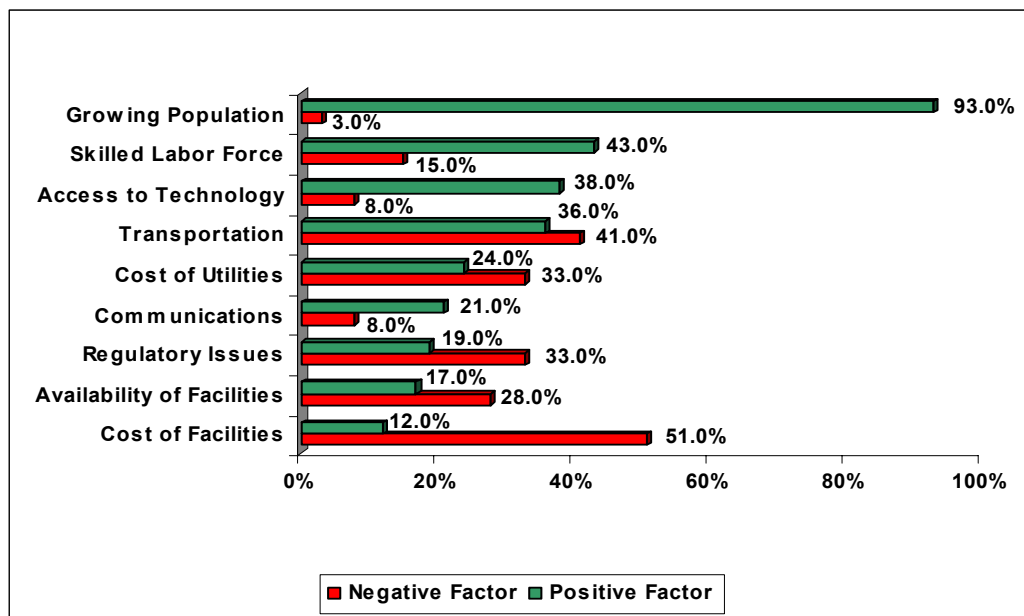
Sacramento Regional Research Institute, February 2005
Data Source: SRRI survey

Placer County's major locational advantages related to the Health Services Industry include strong population growth, a skilled labor force, and access to technology.

To identify Placer County's locational advantages and gain an understanding of specific aspects determining companies' satisfaction or concerns with the County and its business climate, participants were asked to comment on several specific factors in terms of their positive or negative influence on the companies' ability to smoothly operate a business in the County. The major factors that were addressed by the survey included demographic factors and growing population; cost and availability of facilities; local government regulatory issues; cost and availability of communications; utilities costs; access to technology; transportation convenience; and access to skilled labor. Additionally, the respondents were asked to express their concerns or positive comments about any other factors that, in their opinion, affected their business' ability to operate in Placer County.

Figure 24 illustrates the percentages of responses that characterize different business climate factors as positively or negatively affecting Health Services companies' ability to do business in Placer County. The population growth factor represented the most widely reported positive factor contributing to Health Services business growth in Placer County. Two other locational advantages frequently cited by the surveyed companies were easy access to skilled labor force and technology. The discussion below provides a detailed account of companies' opinions on these and other important business climate factors in Placer County.

FIGURE 24
POSITIVE AND NEGATIVE OPINIONS
ON BUSINESS CLIMATE FACTORS



Sacramento Regional Research Institute, February 2005
Data Source: SRRRI survey

Population Growth

Most respondents (93 percent) stressed a positive influence of Placer County's aggressive population growth that serves as an important factor benefiting the Health Services Industry through stimulating more demand. Companies that provide elective services not covered by insurance noted that both the increase in population, as well as higher income levels in the Placer County represent important advantages of doing business in the County since more residents can afford the services. Only a few respondents (3 percent) were less enthusiastic about the population growth, commenting that such expansive growth negatively affects quality of life factors, as well as perceptions of communities in Placer County's being smaller and safer.

Access to Skilled Labor Force

Access to skilled labor force was another factor mentioned frequently as an advantageous characteristic of Placer County. Forty-three percent of respondents reported that they were happy with their ability to find qualified staff within the County and commented on the high number of educated professionals in the area. However, 15 percent of respondents reported that they experience occasional problems with labor force availability and necessary qualifications. Apart from staffing issues mentioned by some smaller providers, most of the major hospitals in the area expressed a concern regarding an increasing shortage of nursing personnel and predicted a future shortage of nurses and specialized medical personnel such as imaging and laboratory technicians. Several respondents, mostly from the Ambulatory Health Care Services and Nursing and Residential Care Facilities sectors, commented on the lack of professional skills among unskilled or low-skilled employees, including clerical, support, receptionist, and janitorial positions. Respondents stated that these positions are harder to fill and the turnover rate within them is typically very high, resulting in additional business costs associated with retraining new personnel. Many companies believed the increased cost of living forces these lower income workers to live outside the County while long commutes and busy traffic makes prospective employees within these occupations unwilling to accept jobs in Placer County.

Access to Technology

Thirty-eight percent of the surveyed employers stressed the availability of proper technology and expertise as another strong advantage of doing business in Placer County. Respondents expressed optimism and praise regarding a growing number of technology companies in the area. Surveyed companies also commented on the importance of the presence of technology-based companies as an overall benefit for the Health Services sector, enabling it to improve the quality of medical services at an adequate pace while reducing logistics and shipment costs. Most of the major Health Services employers, particularly the large hospitals, commented that Placer County has a wealth of expertise and technology available. At the same time, one sector these companies would like to

see continually promoted and expanded within the County is biomedical services and medical device manufacturing companies. A few businesses who reported occasional problems accessing proper technology were typically companies offering specialized care requiring highly specialized equipment and staff, such as optometry, endodontal and dialysis clinics, and medical equipment manufacturers. However, even these companies stated that they did not have to search much further than the Sacramento Region to find necessary equipment or specialists.

Cost and Availability of Facilities

The increasing cost of facilities was the most frequently mentioned among negative factors limiting business growth in Placer County. More than half (51 percent) of the interviewed companies expressed concerns regarding rapidly increasing facility costs. In particular, several participants cited examples of difficulties finding an appropriate location within an affordable price range for their businesses. Even the larger companies that are less inhibited by facility costs mentioned “skyrocketing” land costs as being a major issue of concern. At the same time, several respondents (12 percent) stated that the cost of facilities in Placer County was a positive attribute since the quality of life factors that the County offers outweigh the extra operating costs. Overall, the facility costs issue seemed to be more concerning for smaller employers, largely among the Ambulatory Health Care Services and Nursing and Residential Care Facilities sectors, while larger companies such as hospitals, appeared to better accept the higher facility costs associated with doing business in Placer County. The high cost of facilities was linked by many respondents to the availability of facilities. Twenty-eight percent of respondents reported that a lack of available facilities represented an issue for them. Smaller business and health care providers offering specialized services or products also stressed that the relatively higher rates in the County make costs unfeasible for many companies to bear.

Transportation Convenience

Companies’ responses regarding the availability and convenience of transportation were mixed with 36 percent considering transportation situation advantageous and 41 percent expressing concerns about transportation issues being a factor limiting the Industry’s growth. The transportation convenience factor garnered the second most negative responses among the business climate factors. Responses appeared to be dependent largely on the size of the area serviced by each particular firm. Companies that both employ and service people primarily from Placer County had more positive views about transportation. Those employing staff and/or servicing customers from outside the County often expressed dissatisfaction with the growing traffic congestion on Interstate 80. Additionally, several respondents in the Auburn area noted a significant increase in traffic on Highway 49. The transportation problems were reported to inhibit Health Services businesses’ growth by creating difficulties in attracting new customers or recruiting new staff from outside the County. Transportation issues were a prevalent concern among highly specialized firms, mostly within the Ambulatory Health Care

Services sector, since these firms often service patients from more distant locations due to a limited number of such specialized providers. Overall, there appeared to be a general consensus among the respondents that internal traffic within the County does not represent a major problem, except in growing suburban areas, such as Roseville and Auburn, where housing growth is outpacing road expansion efforts. The problem causing most concern appeared to be the traffic on major freeways leading to and from Placer, which affects the movement of both customers and employees.

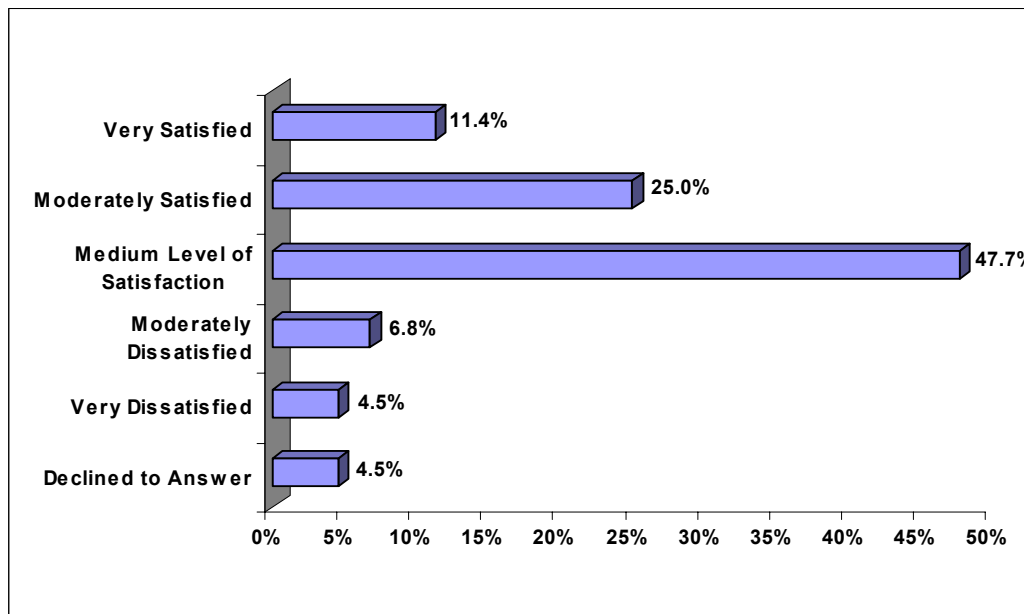
Cost of Utilities and Public Services and Access to Communications

While the cost of utilities and public services was mentioned as a positive factor by 24 percent of the surveyed businesses, it also represented the third most frequently mentioned issue of concern (after the cost of facilities and transportation) among the interviewed Health Services businesses. Thirty-three percent of respondents commented that high utility costs represent a limiting factor for business growth, especially given the overall lower utility costs prevalent in locations neighboring Placer County. However, several participants stated that utilities and public services are an advantageous characteristic of Placer County. These companies were typically located in less suburban areas of the County where utility costs are somewhat lower than the average. Access to communications was mostly mentioned in a positive context with most firms expressing overall satisfaction with both availability and costs of communications in Placer County. Some companies, however, would like to see more competition in areas of telephone and internet services as a way of lowering prices and improving these services.

Local Government's Involvement in Promoting Business Growth

Most of the interviewed Health Services companies expressed satisfaction with the County's government actions and attitude pertaining to fostering business growth. While some companies refused to comment on the issue (5 percent), 84 percent of respondents expressed various degrees of satisfaction with the County government's involvement in promoting growth. As illustrated in Figure 25, 11 percent were very satisfied, 25 percent were moderately satisfied, and 48 percent reported a medium level of satisfaction. These respondents made positive comments about Placer County's response to increased growth and stressed the forward-looking characteristic of County officials. Many respondents sounded impressed by the County's "progressive" attitude toward growth and the focus on planning for the future. Only a small proportion of respondents (12 percent) expressed various degrees of dissatisfaction with the local government's business development efforts, expressing complaints about red tape, various other restrictions, and unnecessary delays in obtaining building permits. Several respondents appeared dissatisfied with the County's regulations about signage that, in their opinion, hinder business' ability to advertise and effectively market their products and services.

FIGURE 25
SATISFACTION WITH PLACER COUNTY GOVERNMENT'S
INVOLVEMENT IN PROMOTING BUSINESS GROWTH



Sacramento Regional Research Institute, February 2005
Data Source: SRRI survey

Mandatory health care benefits and workers' compensation regulations negatively affect the business climate.

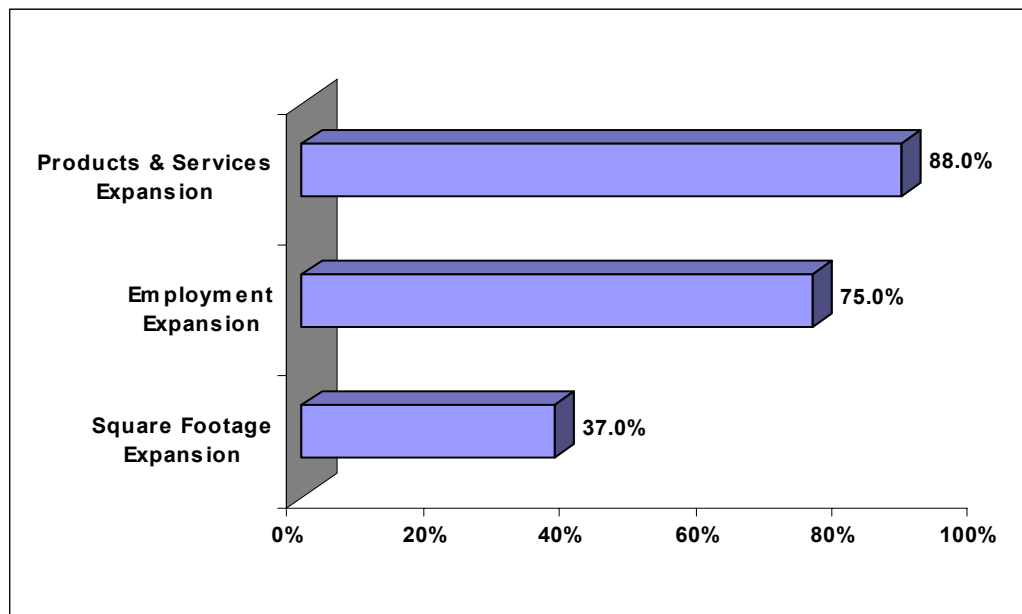
Several respondents pointed out that passing legislation mandating employers to provide health care benefits could have a dramatic effect on the business climate and hurt the Health Services Industry's growth in Placer County. The increase in business costs resulting from the legislation could present major problems, primarily for the smaller companies that stated they would be forced to pass the higher cost burden onto their customers. In their opinion, this would eventually cause companies to lose some of their customers who would be unable to afford more expensive medical care and those whose health care benefits could be reduced due to higher prices for health care services. While not directly noted in the survey, Industry literature also suggests that mandatory health care benefits may increase the demand for services among some of the larger health care providers.

Another issue companies found problematic was workman's compensation regulations. Many complained that the laws are too strict and pose a tremendous financial burden. This was true of both smaller and larger firms who were unhappy about the large sums of money they spend on compliance with laws and requirements that, in their opinion, are overly strict and unnecessary. Additionally, some companies commented on the need for an increase in Medi-Cal benefit payments to health care providers and/or subsidies to enable doctors to accept the growing number of Medi-Cal patients.

Business growth outlook in the Health Services Industry is optimistic with most businesses reporting plans for expansion.

Business growth expectations represent important information necessary for business development and economic development planning efforts. In order to assess Health Services companies' business outlook in Placer County, SRRI collected and analyzed information on business growth expectations in terms of products and services, employment, and square footage expansion in the next 5 to 10 years. For each of the three growth expansion factors the companies were given four answer choices which included: a reduction, no change, a moderate expansion, or a significant expansion. Figure 26 illustrates the percentages of the surveyed companies that expect moderate to significant expansion in their products and services, employment numbers, and square footages.

FIGURE 26
MODERATE TO SIGNIFICANT GROWTH EXPECTATIONS



Sacramento Regional Research Institute, February 2005
Data Source: SRRI survey

Most surveyed firms (88 percent) indicated plans for and expansion of products and services in the next 5 to 10 years. Overall, 57 percent of Health Services companies expect moderate growth, while 31 percent commented on plans for aggressive expansion. This represents an optimistic outlook for the future of the Health Services Industry in Placer County and indicates a strong growth potential. Since the Health Services Industry is rapidly changing, stimulated by technological innovations and improvements, such optimistic expectations are not surprising as businesses try to keep pace with technology and provide the most up-to-date products and services to satisfy their customers. The most significant expansion is expected to occur within the Hospitals

sector and Ambulatory Health Care Services, particularly within businesses such as imaging and diagnostic laboratories, optometry services, and offices of physicians. Many survey respondents representing these sectors commented on plans for significant expansion. The Medical Equipment and Supplies sector representatives expect moderate growth, while Nursing and Residential Care Facilities' expectations varied between no change to moderate growth in products and services. There were limited reported plans for a reduction in products and services.

The employment growth prognosis within Placer County's Health Services Industry is also quite optimistic. Overall, 75 percent of the surveyed businesses reported plans to increase employment with 59 percent of firms planning to expand moderately and 16 percent expecting significant growth in employment. Major employment increases are expected to take place within the Hospitals sector as most interviewed companies within this sector commented on significant employment expansion plans. Most Ambulatory Health Care Services companies expect moderate employment growth with only a few businesses reporting significant employment growth expectations. Medical Equipment and Supplies Manufacturing companies, as well as Nursing and Residential Care Facilities reported moderate to no growth expectations.

Additionally, 35 percent of the surveyed respondents plan to increase the square footage their organizations currently occupy. Similar to products and services and employment expansions plans, most square footage increase is expected to occur within the Hospitals sector. Most respondents from other sectors (approximately 60 percent) commented on no particular plans to increase square footage with the exception of a few Ambulatory Health Care Services providers. Only a small number of companies had plans to reduce square footage.

Major Health Services Industry employers report plans for large-scale expansion in Placer County.

Another significant indication of strong future growth within the Health Services Industry is a large-scale expansion in Placer County planned by all of the large regional employers interviewed in the survey. Most of the major employers participating in the survey indicated plans to significantly (in most cases) expand their services, increase employment, and build new facilities in Placer County. While some of the largest providers have already allocated significant funds and resources and begun the implementation of their plans, others are still working on specifying expansion details but will most likely start expanding in the near future. Most major health services providers stated that they pursue expansion in Placer County as an important strategic step based on excellent demographic conditions, particularly strong population growth resulting in a constantly increasing demand for health services, the high incomes of residents, and increasing number of retirees in the Sacramento Region. Most of the large providers commented that they expect an inadequate supply of health services in the future and, therefore, see strong potential to satisfy numerous unmet future health care needs. Additionally, some major employers mentioned that expanding in Placer County is

strategically important for being able to compete in the Region since Placer County represents a major regional market with a very high potential for growth. Most expansion plans include the construction of new facilities and expansion of the existing ones in several locations including the Roseville, Lincoln, and Rocklin areas. The expansion plans include building numerous types of facilities providing a diverse range of health services, some examples of which include new hospitals; obstetrics and women and children's centers; medical offices and physicians' clinics; surgical facilities; imaging and diagnostic centers; emergency rooms; intensive care units; and numerous other facilities.

Potential future shortages of health care infrastructure and nursing personnel represent a concern among some providers.

In spite of the fact that the business growth outlook is positive and optimistic, the adequate supply of health services infrastructure and personnel in the future represents a concern among the interviewed companies. Thirty-three percent of the surveyed businesses believed that Placer County has an appropriate amount and balance of health care services, particularly short term versus long-term care facilities. Forty-four percent stated that there is somewhat of an adequate supply, while 23 percent reported that they do not believe there are enough services available or that they are properly balanced.

While most companies seemed to be satisfied with the current level of short-term care, there were several respondents who described emergency rooms as unnecessarily overcrowded. Long-term care appeared to be an issue of serious concern as firms of all types indicated an overall shortage of long-term care facilities. Many service providers mentioned that there is often trouble finding longer-term placement for the elderly, disabled, and mentally ill. Several respondents mentioned the fact that a longer-term mental health treatment facility does not currently exist in Placer County.

For many companies, the major worry is that a shortage of health care products and services is likely to occur in the future as demand continues to soar fueled by the growing population. Even those who responded affirmatively that there is an adequate supply and balance of health care services were often speaking only of the current situation, not the future.

A growing nursing personnel shortage represents another important issue that may become a serious factor inhibiting Health Services Industry growth. Larger hospitals also cited the rising average age (estimated to be 48 years old) of nurses in their facilities and difficulties finding replacements as they leave the workforce as a sub-set of this concern. According to participants, nursing programs are overcrowded in the area and most have long waiting lists for potential students; however, they still believe there is a workforce shortage in this area that could become worse in the future. Companies also predict an increase in the demand for specialized health services occupations such as x-ray technicians, laboratory technicians, and others, which are facing similar supply shortages. In spite of the market growth potential, the likely labor force and infrastructure

limitations imposed on the Health Services Industry could become serious obstacles for a smooth business expansion process and prevent health care needs from being met in full in the future.

Respondents stressed that major improvement efforts should focus on promoting communication, fostering collaborative efforts, and expanding local training programs.

In addition to questions on their satisfaction and concerns, locational advantages, and business growth factors, the surveyed organizations were also asked to express opinions on ways to help Placer County's Health Services Industry achieve its future potential and make business growth an easier and more efficient process. Based on the responses, the Industry would significantly benefit from promoting better communication among health services providers; facilitating collaborative efforts aimed at easing potential future pressures on the Industry; and expanding local nursing training programs, as well as necessary health care facilities, particularly, within the Nursing and Residential Care sector.

Promoting Communication

According to many respondents, one of the key factors in achieving future success is to facilitate communication between Placer County health care providers themselves, as well as between the Industry and local government officials and educational and training organizations. Respondents suggested a possibility of holding health care summits or conferences where various Industry representatives in addition to local government representatives and educational specialists could meet and discuss issues more directly. The objective of such events would be to increase the awareness of the Industry representatives, local officials and educational leaders of current and future issues, concerns and staffing shortages facing the Industry, as well as to coordinate efforts for a more effective and efficient business development.

Fostering Collaborative Efforts

As a potential solution for resolving the problem of unmet health care demand and resulting pressures on the Health Services Industry, many of the larger providers thought that the Industry would benefit from collaborative efforts or "synergies" among health care providers aimed at sharing the costs of providing remedies to common problems. For example, respondents mentioned that the overcrowding of emergency rooms by uninsured patients could be mitigated by the creation of public health care facilities that offer outpatient treatment, particularly to those without insurance. To help encourage this process, some of the major providers expressed willingness to participate in such initiatives and suggested that the Placer County government representatives could provide specific zoning or tax incentives for such projects. Overall, the goal would be for

various firms in the Industry to work together to share the financial costs of such facilities with the goal of decreasing current undesirable costs at their own facilities. Respondents stated that, as a result, cost reduction at current facilities would enable providers to reallocate the freed-up resources to projects and customers that need them most. For instance, participants stated that emergency rooms are usually overcrowded by uninsured patients with non-urgent medical needs since they have no other place to go for medical treatment. If these patients were diverted to special clinics created as a result of collaborative efforts of multiple providers, the emergency rooms would provide faster and more focused service to emergency patients.

Providing More Education and Training

Participants felt that another critical part of assisting business growth within the Health Services Industry in Placer County would be to encourage cooperation between the Industry and the educational system in an effort to address current and potential staffing shortages, especially among nursing personnel and specialized technicians occupations. Both small and large Health Services employers, including most major hospitals, commented on impending shortages, particularly among nurses and imaging and laboratory technicians. Respondents stated that open dialogue with leaders in education is important so that future needs are understood and educational programs can be adjusted accordingly. Government officials' involvement was perceived by the respondents as a necessary element of the dialogue that would help determine ways to obtain, coordinate, and allocate funds to expand the necessary local training programs.

Addressing the Shortage of Nursing and Residential Care Facilities

Additionally, surveyed employers representing all Health Services Industry sectors commented on the shortage of services for the elderly and mentally ill. A primary concern was the inadequate transportation services available to help elderly people get to medical appointments. Some suggested that housing developers in the community could help address this need by incorporating more services and accommodations for the elderly and disabled into their building and community plans. In addition to worries about senior citizens in the community, a number of firms stressed the need to create a public, long-term psychiatric facility.

Conclusion

The Health Services Industry in Placer County provides a wide range of products and services to a large customer base within the County, the Sacramento Region, and beyond. The Health Services Industry is made up of four major sectors that include Ambulatory Health Care Services, Hospitals, Nursing and Residential Care Facilities, and Medical Equipment and Devices Manufacturing. Establishments in all of these four sectors vary in employment size, combination of products and services offered, and customer bases serviced. Hospitals represent the largest sector in terms of employment, while the Ambulatory Health Care Services sector provides the largest number of business establishments in Placer County.

The Health Services Industry is a vital component of Placer County's economy, containing about 7 percent of the County's total jobs and business establishments and 8 percent of the total employee earnings. Over the past five years, Health Services employment, business establishments, and employee earnings have all demonstrated stronger growth than the statewide average. The Hospitals and Medical Equipment and Supplies Manufacturing sectors have posted the largest growth rates and demonstrate a unique component of Placer County's Health Services Industry—the County shows specialization in Hospitals while Medical Equipment and Supplies Manufacturing appears to be an emerging sector. In addition to the direct benefits, the full range of economic impacts associated with Placer County's Health Services Industry contributes over 15,000 jobs and \$1.4 billion of output in Placer County. Further, the Industry generates close to \$63 million in state and local taxes from its direct, indirect, and induced economic activities.

The relatively strong economic performance in Placer County's Health Services Industry has been driven by the County's favorable demographic characteristics, such as strong population growth, high incomes and increasing life spans of Placer residents. Additionally, Placer County's role as a major node of regional economic activity contributed to stimulating a strong demand for more health care services catering to a wider range of medical needs of a customer base that is larger than the County itself. Health Services employers suggest that the County's business climate is strengthened by its growing population, skilled labor force, and access to technology, but also stress the need to address transportation and cost issues in order to maintain the strength of the Industry.

The following items, developed from the findings of the economic trends and impact analyses along with the employer survey, may help foster growth in Placer County's Health Services Industry and enhance the attractiveness of the County to the Industry:

- Focus economic development efforts on Placer County's strengths in the Health Services Industry including the strong performance of the Hospitals sector and the emergence of the Medical Equipment and Supplier Manufacturing sector.

CONCLUSION

- Develop a marketing campaign and strategy to encourage greater awareness of Placer County's Health Services Industry and to promote development initiatives to existing firms within the Industry.
- Tout Placer County's locational advantages related to the Health Services Industry including its strong population growth, access to a skilled labor force, and availability of technology.
- Explore means to address the factors the Health Services Industry employers noted as negatively affecting Placer County's business climate such as the cost of facilities, convenience of transportation, and administrative restrictions and delays related to building permits.
- Form communication ties and strong relationships with the major Health Services Industry employers in Placer County and the Sacramento Region to foster a feedback loop between the Industry, workforce development professionals, education and training providers, and economic development representatives.
- Study the Health Services Industry's workforce trends and needs and align workforce and economic development to appropriately address and exploit the Industry's workforce needs (some employers identified the workforce as a weakness that may manifest itself more evidently in the future, particularly within nursing, technician, and other specialized medical personnel categories).
- Identify the feasibility of implementing improvements suggested by employers in the Health Services Industry including promoting communication, fostering collaborative efforts, and expanding local training programs.
- Recognize the economic development potential generated by the Health Services Industry including not only the ability to foster expansion within existing establishments and attract other employers within the Industry, but also the pull the Industry creates for its supplier industries.
- Share the level of impacts created by the Health Services Industry to ensure broad recognition of its importance to the County's economy.
- Assess the local shortage of Nursing and Residential Care Facilities, as well as the conditions underlying the sector's decline, especially considering Placer County's recently-developed retirement communities.
- As Placer County's economy develops and matures, reexamine the composition and trends in the Health Services Industry to identify Industry restructuring and long-term economic performance.

Appendix—Listing of Survey Questions

1. Which of the following describes the primary products or services your firm produces? (Check all that apply)
 - a. Offices of physicians and other health care practitioners
 - b. Hospitals
 - c. Nursing and residential care facilities
 - d. Other, please specify:

- 2.) Including the owner and yourself, how many are employed by your firm?

- 3.) On a scale of 1 to 5, with 5 being very satisfied and 1 being very dissatisfied, how would you rate Placer County as a place to do business?
 - a. 5- very satisfied
 - b. 4- moderately satisfied
 - c. 3- medium level of satisfaction
 - d. 2- moderately dissatisfied
 - e. 1- very dissatisfied

- 4.) Which of the following, in your opinion, make Placer County an advantageous place to do business? (check all that apply)
 - a. Growing population and increasing demand for health care services
 - b. Cost of facilities (rent, building, land costs, etc.)
 - c. Availability of facilities
 - d. Cost of utilities and public services
 - e. Local government regulatory issues (taxes, permits, etc.)
 - f. Telephone and other communications
 - g. Access to technology and expertise
 - h. Transportation convenience and availability
 - i. Access to skilled labor force
 - j. Other, please specify:

- 5.) Which characteristics of Placer County do you consider to be limiting factors to the Health Services Industry growth in the future? (check all that apply)
 - a. Growing population and increasing demand for health care services
 - b. Cost of facilities (rent, building, land costs, etc.)
 - c. Availability of facilities
 - d. Cost of utilities and public services
 - e. Local government regulatory issues (taxes, permits, etc.)
 - f. Telephone and other communications
 - g. Access to technology and expertise

APPENDIX

- h. Transportation convenience and availability
 - i. Access to skilled labor force
 - j. Other, please specify:
- 6.) On a scale of 1 to 5 with 5 being very satisfied and 1 being very dissatisfied, how would you rate the Placer County government's involvement in promoting business growth? (such as permitting, economic development, taxes, etc.)
- a. 5- very satisfied
 - b. 4- moderately satisfied
 - c. 3- medium level of satisfaction
 - d. 2- moderately dissatisfied
 - e. 1- very dissatisfied
- 7.) If possible, what could be done to improve your business outlook and/or the general business climate for the Health Services Industry in Placer County?
- 8.) Do you feel that the mix of health care services in Placer County is appropriately balanced between facilities capable of providing chronic (long-term) and acute (short-term) care in the most efficient manner?
- a. Yes
 - b. Somewhat
 - c. No
 - d. If no, please specify what is lacking:
- 9.) What other health care facilities and/or services, in your opinion, are in shortage in Placer County?
- 10.) What demographic and economic trends, in your opinion, will affect your business most in the future?
- 11.) What industries or businesses would you like to see more of in Placer County that would support the development of your business?
- 12.) Over the next 5 to 10 years, do you expect your firm's products and services to:
- a. Expand significantly
 - b. Expand moderately
 - c. Remain the same
 - d. Be reduced
- 13.) Over the next 5 to 10 years, do you expect the number of employees at your firm to:
- a. Increase significantly
 - b. Increase moderately

- c. Remain the same
- d. Be reduced

14.) Over the next 5 to 10 years, do you expect the square footage your firm now occupies to:

- a. Increase significantly
- b. Increase moderately
- c. Remain the same
- d. Be reduced

15.) How long has your company been located in Placer County?

16.) Did your firm:

- a. Start up in Placer County, (skip to Q. 21)
- b. Move to Placer County from somewhere else, (answer Q. 18-20)

17.) From which city/state did you move?

18.) Which month and/or year was that?

19.) Why did you move to Placer County? (check all that apply)

- a. Lower cost of doing business
- b. Closer to customer base
- c. Better transportation
- d. Lower cost of housing/living expenses
- e. Preferred the geographic location
- f. Other, please specify:

20.) Could you give an approximate percentage breakdown of your customer base by areas listed below:

- a. Placer County
- b. Sacramento Region (includes: Sacramento, Yolo, Yuba, El Dorado and Sutter Counties)
- c. Bay Area
- d. Other locations

21.) Contact Information

Name of Respondent:
Title of Respondent:
Name of Company:
Telephone Number:

APPENDIX

22.) May we contact you again if we have any follow-up questions?

- a. Yes
- b. No